Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

AMERICAN MEDICAL ASSOCIATION,
Petitioner,

v.

PRACTICE MANAGEMENT INFORMATION CORP.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

(1) Whether an action for copyright infringement, brought under the express provisions of the Copyright Act, may be defeated by a judicially created, federal common law copyright misuse defense, when the Act does not provide that defense?

(2) Whether a copyright misuse defense, if cognizable, should be governed by the antitrust laws, or by notions of public policy that courts determine are inherent in the grant of a copyright?

(3) Whether negotiating and obtaining a licensing agreement with a federal agency is protected by the First Amendment under the *Noerr-Pennington* doctrine?

LIST OF PARTIES AND RULE 29.6 STATEMENT

There are no parties other than those named in the caption.

Pursuant to Rule 29.6 of the rules of this Court, petitioner states the following:

The American Medical Association has no parent companies or subsidiaries.

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PETITION FOR WRIT OF CERTIORARI

OPINIONS BELOW

The August 6, 1997 decision of the Ninth Circuit, as amended on January 9, 1998, is reported at 133 F.3d 1140; see Appendix ("App.") 1a. The December 23, 1997 order of the Ninth Circuit, denying the American Medical Association's ("AMA's") petition for rehearing with suggestion for rehearing *en banc*, is not reported. See App. 34a. The December 8, 1994 order of the district court granting the AMA's motion for partial summary judgment is reported at 877 F. Supp. 1386, and is attached at App. 12a. The district court's companion order of December 8, 1994, granting the AMA's motion for a preliminary injunction, is reported at 877 F. Supp. 1394, and is attached at App. 28a.

JURISDICTION

The order of the court of appeals denying the AMA's petition for rehearing with suggestion for rehearing *en*

banc was entered on December 23, 1997. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The constitutional provision involved in this case is the First Amendment to the Constitution of the United States. The statutory provisions involved are 42 U.S.C. § 1395w-4(c)(5), 35 U.S.C. § 271(d), and 17 U.S.C. §§ 107, 301. They are reproduced at App. 35a-38a.

STATEMENT OF THE CASE

This case presents two important and recurring questions of copyright law. The first is whether the federal courts may properly create an implied federal common law defense of copyright misuse. Such judicial lawmaking conflicts with this Court's well-established standards: It is "plainly wrong" to "adopt a court-made rule to supplement federal statutory regulation that is comprehensive and detailed," *O'Melveny & Myers* v. *FDIC*, 512 U.S. 79, 83, 85 (1994), which the Copyright Act plainly is. 17 U.S.C. §§ 101, *et seq.* Adopting an affirmative defense of copyright misuse, as the Fourth, the Fifth, and the Ninth Circuits have done, is thus an unwarranted intrusion upon Congress' lawmaking role.

The second question—whether a copyright misuse defense, if cognizable, should be based on violations of antitrust law or on nebulous considerations of public policy—is also of national importance. A clear, recurring, and well-developed conflict exists between those courts that have "held that the defense applies only where there is a violation of antitrust law" and those that have "held that copyright misuse defense exists even without an antitrust violation." [1] That conflict is squarely presented here. App.

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[1] *See generally Reliability Research, Inc.* v. *Computer Assocs. Int'l, Inc.*, 793 F. Supp. 68, 69 (E.D.N.Y. 1992) (comparing *Saturday Evening Post Co.* v. *Rumbleseat Press, Inc.*, 816 F.2d 1191 (7th Cir. 1987) with *Lasercomb Am., Inc.* v. *Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990)).

11a. This conflict merits the Court's review, particularly in light of Congress' mandate of national uniformity in the copyright laws.

Finally, this case also presents an important question of constitutional law—whether there exists a "commercial exception" to the *Noerr-Pennington* doctrine. The court below held that negotiating and contracting with a federal agency is not protected by the doctrine because it is not "lobby[ing]" (App. 11a), but the Fifth Circuit has squarely held that *Noerr-Pennington* protection does "extend" to obtaining a "restrictive contract provision . . ." from the government. *Greenwood Utils. Comm'n* v. *Mississippi Power Co.*, 751 F.2d 1484, 1504, 1505 & n.14 (5th Cir. 1985). This conflict reflects a broader conflict about the existence of a "commercial exception" to the *Noerr-Pennington* doctrine, an issue of national importance that also merits this Court's review.

1. Since 1966, the American Medical Association ("AMA") has published *Physicians' Current Procedural Terminology* ("*CPT*"). *CPT* sets forth original textual descriptions of medical procedures, assigns a five-digit numeric code to each description, and includes two-digit modifiers that indicate common variations on each procedure. Like other works of medical nomenclature, *CPT* enables physicians to communicate concisely with colleagues, patients, and insurers about the procedures that they have performed by substitution of a multi-digit code for a time-consuming verbal description. SER 20-1, pp. 3-4, ¶ 6; SER 22, p. 2, ¶ 3.[2]

2. The Health Care Financing Administration ("HCFA") is the federal subagency that administers the Medicare and Medicaid programs. In 1977, HCFA recognized that it needed a uniform code for Medicare and Medicaid to facilitate the processing of reimbursement requests. See SER 20-1, p. 8, ¶ 13; SER 20-2, pp. A-1 to

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[2] "SER" refers to the AMA's Supplemental Excerpts of Record filed in the court of appeals.

A-2; cf. 42 U.S.C. § 1395w-4(c)(5). HCFA examined three options: (1) developing its own code at taxpayer expense; (2) using *CPT*; or (3) using one of many other privately developed codes of medical nomenclature. After extensive study, HCFA determined that its best option was to use *CPT*. See, *e.g.*, SER 47; 48 Fed. Reg. 16,750, 16,753 (1983).

As a result, HCFA and the AMA entered into a licensing agreement ("the Agreement") in 1983. App. 14a; SER 3-2. The AMA agreed to give HCFA "a non-exclusive, royalty free, and irrevocable license to use, copy, publish, and distribute" *CPT*. *Id.* ¶ 3(a); see App. 14a. HCFA agreed, *inter alia*, to "require the use" of *CPT* "in programs administered by HCFA" and "not to use any other" nomenclature for "reporting physicians' services." SER 3-2, p.1, ¶¶ 1-2; App. 15a. Either party "may terminate the Agreement upon ninety days notice." App. 14a; SER 3-2, p. 4, ¶ 10. Thus, by simply giving the requisite notice, HCFA is free to require use of another work of medical nomenclature instead of *CPT*, such as SNOMED (maintained by the College of American Pathologists) or ICD-9-CM. See SER 20-1, pp. 7-8, ¶ 12.

The AMA has devoted "enormous resources" and creative effort to developing and maintaining *CPT*. App. 32a. Since 1983, the AMA has updated *CPT* annually. *Id.* at 14a. This process involves scores of physicians and AMA staff members and leads to hundreds of additions, deletions, and modifications of codes and descriptions each year. SER 20-1, pp. 2-3, 4-7. By 1993, the *CPT* included 6,925 codes, 26 types of modifiers, as well as textual descriptions. SER 20-2, p. 1. HCFA has periodically reviewed whether to retain *CPT* and has determined to continue the agreement with the AMA. *Id.* at i-iii (Inspector General's 1994 Report); SER 20-1, pp. 7-8.

3. Respondent Practice Management Information Corporation ("PMIC"), which purchases in excess of 100,000 copies of *CPT* annually, is among the largest resellers of

CPT. App. 16a. PMIC wishes to copy and sell "its own version of the *CPT*" without paying a royalty to the AMA. SER 21 Ex. C. On May 12, 1994, three days after informing the AMA that it was "very disappointed that PMIC was not provided with a better discount" than the 35% reduction it was receiving on its purchases of *CPT*, PMIC filed this lawsuit. App. 17a; SER 21 Ex. B. PMIC sought preliminary injunctive relief, a declaration that the AMA's copyright in *CPT* is invalid, and damages.

The AMA filed a counterclaim (see App. 17a), alleging, *inter alia,* that PMIC had already infringed the AMA's copyright in *CPT* by distributing unauthorized software and other versions of *CPT*. AMA's Answer and Second Amended Counterclaim ¶¶ 7-24. The AMA sought damages for that infringement and an injunction against future infringement. It also raised additional state and federal law claims not pertinent here. *Id.* ¶¶ 25-36 & Prayer for Relief ¶¶ 1-7.

On July 25, 1994, the district court denied PMIC's motion for a preliminary injunction. App. 17a. On December 8, 1994, the court filed its Order granting the AMA's motion for partial summary judgment on PMIC's claims of copyright invalidity and misuse. App. 12a. With respect to misuse, the district court found that although "some courts have recognized the copyright misuse claim," none was persuasive authority here because:

- "The Agreement is freely terminable upon 90 days written notice;
- "the HCFA on its own initiative sought a single national medical code for use in Medicare and Medicaid reimbursements; and
- "the AMA did not coerce the HCFA to choose one code over others or to accept the AMA's royalty-free license to use the CPT. Brown Decl. ¶¶ 3, 6, 9."

Id. at 25a-27a & n.4.

The district court also rejected PMIC's other claims, including its argument that the government's use of *CPT* transformed this privately authored work into a law and thereby invalidated the AMA's copyright. *Id.* at 19a-25a. "In essence," the court concluded, "PMIC merely seeks to plagiarize the private work of the AMA without compensating the AMA for its copyright." *Id.* at 24a. In a second Order filed the same day, the district court enjoined PMIC from infringing the AMA's copyright. *Id.* at 28a. Monetary damages were inadequate, the court found, because conflicting versions of *CPT* "could confuse physicians and the government" and "could substantially impair the reimbursement process." *Id.* at 32a.

4. On August 6, 1997, the Ninth Circuit affirmed the district court's ruling that the AMA retains a valid copyright in *CPT*,[3] but "reverse[d] the ruling with respect to copyright misuse." App. 11a. The court of appeals held that PMIC "established its misuse defense as a matter of law," and therefore "vacate[d] the preliminary injunction" and "remand[ed] for entry of judgment in favor of Practice Management on its copyright misuse claim." *Id.* The court explained its decision as follows:

First, recognizing that prior Ninth Circuit cases had only "implied that misuse is a defense to copyright infringement," the court decided "now [to] adopt that rule." App. 9a.

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[3] In particular, the court rejected PMIC's argument that "CPT became law and entered the public domain when HCFA by regulation required its use." App. 4a. The court further held that CPT is not an "uncopyrightable industry standard or 'idea' " within the meaning of the Copyright Act. These two determinations have been the subject of two petitions for certiorari filed by PMIC, on September 4, 1997 and February 2, 1998, respectively. This Court denied PMIC's first petition on October 20, 1997, *Practice Management Info. Corp.* v. *American Medical Ass'n*, 118 S. Ct. 339 (1997) (No. 97-401). PMIC's second petition for certiorari raises the same issues presented in its first petition. *Practice Management Info. Corp.* v. *American Medical Ass'n.* (No. 97-1254). The AMA filed its brief in opposition on March 2, 1998.

Second, the court held that "the AMA misused its copyright by licensing *CPT* to HCFA in exchange for HCFA's agreement not to use a competing coding system." *Id.* at 10a. In this regard, the court determined that it was legally irrelevant whether the AMA had urged HCFA to add this restriction to the Agreement or whether HCFA itself had decided to use a single code "to take advantage of natural efficiencies." *Id.* The court simply concluded that the "terms under which the AMA agreed to license use of the *CPT* to HCFA gave the AMA a substantial and unfair advantage over its competitors" and, for this reason, constituted misuse. *Id.*

Third, the court rejected as immaterial the AMA's demonstration that the Agreement with HCFA did not violate the antitrust laws. In so doing, the court expressly adopted the Fourth Circuit's view "that a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense." App. 10a-11a (citing *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990)). Instead, the court required only that alleged copyright infringer show that the copyright owner had "used its copyright 'in a manner violative of the public policy embodied in the grant of a copyright.'" App. 11a (quoting *Lasercomb*, 911 F.2d at 977).

Finally, the court held that because PMIC was not required to establish an antitrust violation to obtain the protection of the affirmative defense of copyright misuse, the court was not required to consider the AMA's argument that its conduct was shielded from any finding of copyright misuse by the *Noerr-Pennington* doctrine. App. 11a. The court alternatively suggested that *Noerr-Pennington* was inapplicable because the AMA "did not lobby HCFA to adopt the *CPT*." *Id.*

5. On August 20, 1997, the AMA filed a timely petition for rehearing with suggestion for rehearing *en banc*. In its petition, the AMA argued that the panel's decision to adopt a copyright misuse defense was incorrect, and

that its decision to adopt the Fourth Circuit's public policy standard exacerbated a conflict with decisions of other courts of appeals. The AMA also argued that *Noerr-Pennington* protection extends to commercial activity and to conduct other than antitrust violations.

6. The court denied rehearing and rehearing *en banc* on December 23, 1997. On January 9, 1998, however, the panel issued an order amending its opinion to delete its statement that the *Noerr-Pennington* doctrine provided protection only against antitrust claims. Nevertheless, the court left in place its holding that "the AMA's First Amendment right to petition the government is not at stake" because the "AMA did not lobby HCFA to adopt *CPT*." App. 11a. The court also amended its opinion, which had previously instructed the district court simply to "enter judgment in favor of Practice Management," to make clear that judgment should be entered only "on its copyright misuse claim." *Id.* at 2a, 11a. Because the judgment "precludes" the AMA from enforcing its copyright "during the period of misuse" (App. 9a n.9), it forecloses the AMA's counterclaim for damages for past infringement and prevents the AMA from prospectively enforcing its copyright unless the misuse has been purged. On January 16, 1998, the court of appeals granted the AMA's unopposed motion to stay the mandate.

REASONS FOR GRANTING THE PETITION

The "copyright misuse" defense is wholly a creature of federal common law. It is founded upon the patent misuse defense that this Court created over 50 years ago in *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488 (1942). Rejected for decades, the copyright misuse defense sprang to life in the Fourth Circuit's groundbreaking decision in *Lasercomb America, Inc.* v. *Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990). Since then, the defense has been repeatedly applied, as it was here, to block enforcement of otherwise valid copyrights.

The Ninth Circuit's decision to follow *Lasercomb* raises two recurring questions vital to copyright law and, more broadly, to the separation of powers. The first is whether to recognize *any* copyright misuse defense at all. In relying on *Morton Salt* to create this new rule, the court below and the Fourth Circuit ignored the intervening fundamental change in this Court's decisions regarding the propriety of creating new rules of federal common law.

In numerous decisions since *Morton Salt*, this Court has unequivocally foreclosed the creation of a federal rule where there is no textual support for it in the language of an otherwise comprehensive act, no endorsement of the rule in the legislative history, and no overriding need to create the rule as a matter of federal common law. *E.g.*, *Atherton* v. *FDIC*, 117 S. Ct. 666 (1997); *O'Melveny & Myers* v. *FDIC*, 512 U.S. 79 (1994); *Northwest Airlines, Inc.* v. *Transport Workers Union*, 451 U.S. 77 (1981); *Texas Indus., Inc.* v. *Radcliff Materials, Inc.*, 451 U.S. 630 (1981); *City of Milwaukee* v. *Illinois*, 451 U.S. 304 (1981). Judicial creation of a copyright misuse defense conflicts starkly with these cases. The conflict is important because the Court's "commitment to separation of powers is too fundamental to continue to rely on Federal common law by judicially decreeing what accords with common sense and public weal when Congress has addressed the problem." *Id.* at 315.

Second, and equally important, the courts of appeals are in direct conflict over the standard that governs assertions of copyright misuse. In one leading case, the Seventh Circuit has insisted that the copyright misuse defense, if recognized at all, be limited to conduct "shown to violate antitrust law"; in another, the Fourth Circuit has disagreed, holding that "a misuse need not be a violation of antitrust law" but may be proved by use of a copyright "in a manner contrary to public policy." Compare *Satur-*

day Evening Post Co. v. *Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (Posner, J.) with *Lasercomb Am., Inc.* v. *Reynolds*, 911 F.2d 970, 978-79 (4th Cir. 1990). In the decision below, the Ninth Circuit "agree[d] with the Fourth Circuit" that the copyright misuse defense does not require the infringing party to "prove an antitrust violation." App. 11a (citing *Lasercomb*). The conflict is squarely presented here because the AMA's Agreement with HCFA was not alleged, and could not have been found, to have violated the antitrust laws. This conflict particularly merits the Court's attention because of the unique weight that Congress has placed on achieving nationally uniform copyright laws.

Finally, the case presents an established conflict among the circuits over the existence and scope of a commercial exception to the First Amendment's protection of the right to petition government. The court of appeals' holding that the AMA's licensing agreement falls outside the scope of *Noerr-Pennington* conflicts directly with the Fifth Circuit's holding that the doctrine applies "when the government's decision is embodied in a contract with a private entity" to the same extent as when it is embodied "in a regulation or statute." *Greenwood Utils. Comm'n* v. *Mississippi Power Co.*, 751 F.2d 1484, 1505 (5th Cir. 1985).

I.

The Ninth Circuit's decision to recognize and enforce an affirmative defense of copyright misuse finds no support in the Copyright Act itself. Creating such a defense as a matter of federal common law conflicts with a long line of precedents of this Court, dating back at least to 1981, governing the propriety of judicially created rules intended to fill perceived gaps in otherwise comprehensive federal statutory schemes. The Court should grant the petition and clarify that it is for Congress, and not the federal courts, to decide whether to afford copyright infringers a misuse defense.

1. The Copyright Act, otherwise comprehensive, is silent about misuse. That silence is significant in light of this Court's standards for determining whether to establish a new federal rule that does not appear on the face of a federal statute. Such a rule may be "created in either of two ways." *Northwest Airlines, Inc.* v. *Transport Workers Union*, 451 U.S. 77, 90 (1981); see *Texas Indus., Inc.* v. *Radcliff Materials, Inc.*, 451 U.S. 630, 638 (1981) (same). The first is if "Congress intended to create" the rule—which is assessed with reference to the "the language of the statute itself" and its structure, history, and purpose; the second is whether the rule so directly implicates "uniquely federal interests" as to justify its creation even absent direction from Congress. *Northwest Airlines*, 451 U.S. at 90-91; *Texas Indus.*, 451 U.S. at 639, 642.

Applying these standards, the Court declined in *Northwest Airlines* to create a right to contribution under the Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964. In *Texas Industries*, the Court similarly declined to create a right to contribution under the antitrust laws. The public policy merits of recognizing such rights were vigorously debated by the parties, *amici*, the lower courts, and commentators (*e.g. Texas Indus.*, 451 U.S. at 636-38 & nn. 8, 9). The Court's decisions turned, however, on (1) the "absence of any reference" to such a right in language or history of the statutes, and (2) the lack of any "uniquely federal interests" that would "oblige" the Court to create a new rule. See *id.* at 639, 642; *Northwest Airlines*, 451 U.S. at 91-92, 94, 97-98.

The Court has repeatedly reaffirmed the vitality of these precedents in decisions that emphasize that the circumstances in which "judicial 'creation' of a special federal rule" is warranted are " 'few and restricted.' " *O'Melveny & Myers* v. *FDIC*, 512 U.S. 79, 85, 87 (1994) (internal quotation omitted). In *O'Melveny*, the Court held that it was "plainly wrong" for federal courts to create a uniform federal common law rule governing when the

knowledge of bank officers would be imputed to the FDIC. Similarly, in *Atherton* v. *FDIC*, 117 S. Ct. 666, 671-74 (1996), the Court, relying on *O'Melveny* and on *Texas Industries*, refused to create a uniform federal standard of care for bank officers and directors.[4] These cases confirm that where a decision whether to create a new federal rule " 'involves the balancing of competing values and interests,' " that decision " 'is the business of elected representatives' " and is therefore "a matter for Congress, not the courts, to resolve." *Texas Indus.*, 451 U.S. at 646-47 (quoting *Diamond* v. *Chakrabarty*, 447 U.S. 303, 317 (1980)).

This body of precedent is fully applicable to any comprehensive federal statute, including the Copyright Act. Nevertheless, while commenters have noted that the question whether to import a misuse defense into the Copyright Act "raises a whole host of questions,"[5] courts have not evaluated the propriety of taking such a step in light of this Court's established standards. Cf. *O'Melveny & Myers*, 512 U.S. at 89 (federal rule that " 'involves a host of considerations that must be weighed and appraised' " should be addressed by Congress) (quoting *Northwest Airlines*, 451 U.S. at 98 n.41). Under the proper standards, there is no basis for judicial lawmaking here.

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[4] *See also Southern Pac. Transp. Co.* v. *Commercial Metals Co.*, 456 U.S. 336, 352 (1982) (refusing to create "an affirmative defense" to a claim for freight charges based on creditor's noncompliance with agency's regulations); *cf. Boyle* v. *United Techs. Corp.*, 487 U.S. 500, 507-12 (1988) (creating an affirmative "military contractor" defense grounded in statutory language and in need to avoid significant conflict between state law and federal interests).

[5] Stephen J. Davidson & Nicole A. Engisch, *A Survey of the Law of Copyright Misuse and Fraud on the Copyright Office: Legitimate Restraints on Copyright Owners or Excuses for Copyright Infringers?*, 483 PLI/Pat 295, 322-23 (1995); *See* Ramsey Hanna, Note, *Misusing Antitrust: The Search for Functional Copyright Misuse Standards*, 46 Stan. L. Rev. 401 (1994); Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 Harv. L. Rev. 1289 (1991).

To begin with, the Copyright Act—a comprehensive federal statute—makes no provision for a misuse defense. Following extensive research and studies by the Copyright Office beginning in 1955 and more than a decade of work on various draft bills, Congress enacted "a general revision" of the Copyrights Act in 1976. H.R. Rep. No. 94-1476 at 47 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5660. Notably, the Act replaced the old system of both common law and statutory copyright with "a single system of Federal statutory copyright from creation." *Id.* at 129, reprinted in 1976 U.S.C.C.A.N. 5659, 5745. This change is reflected in the new preemption section, "one of the bedrock provisions of the bill" (*id.*; see 17 U.S.C. § 301), and in the comprehensive statutory scheme that sets forth, *inter alia*, the scope and limits of copyright protection (§§ 101, *et seq.*) and the remedies for infringement (§§ 501, *et seq.*).

At least one affirmative defense born as a creature of federal common law was expressly recognized and incorporated into the Copyright Act. See 17 U.S.C. § 107 (incorporating the "fair use" doctrine); *Sony Corp.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 447-48 & n.29 (1984). Conspicuously absent from the language of the Act and the committee reports, however, is any reference to an affirmative defense of copyright misuse.[6] Given the "absence of any reference" to copyright misuse in the language and history of a comprehensive statute, the Copyright Act provides no basis for creating this defense. See *Texas Indus.*, 451 U.S. at 639, 642; see also *O'Melveny & Myers*, 512 U.S. at 87 ("[t]o create additional 'federal common-law' exceptions is not to 'supplement' [the statutory] scheme, but to alter it").

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[6] Congress's silence cannot be interpreted as acquiescence in such a defense, because prior to the *Lasercomb* decision in 1990, there was "no case where the misuse of a copyright prevented recovery on an infringement claim." *Broadcast Music* v. *Hearst/ABC Viacom Ent. Servs.*, 746 F. Supp. 320, 328 (S.D.N.Y. 1990).

Moreover, there is no legitimate justification for judicial creation of such a defense. Federal common law is typically restricted to "cases raising issues of uniquely federal concern, such as the definition of rights or duties of the United States, or the resolution of interstate controversies." *Northwest Airlines,* 451 U.S. at 95 (citations omitted). That the sought-after rule would help "vindicat[e]" federal rights or "fulfill[] the objects" of federal statutes is not sufficient. *Texas Indus.*, 451 U.S. at 642; *Atherton* v. *FDIC*, 117 S. Ct. at 674 (citations omitted). An action for copyright infringement generally "remains a private suit involving the rights and obligations of private parties," and therefore does not justify the creation of federal common law defenses. See *Texas Indus.*, 451 U.S. at 642.

2. Courts adopting a copyright misuse defense have done so chiefly in reliance on a line of cases, commencing with *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488 (1942), in which this Court created a patent misuse doctrine.[7] See, *e.g., Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 136-40 (1969); *Mercoid Corp.* v. *Mid-Continent Inv. Co.*, 320 U.S. 661 (1944). For at least four reasons, such reliance is misplaced.

First, this Court's jurisprudence on whether to establish a new rule of federal common law has evolved significantly since *Morton Salt.* That decision neither applied the rules established over the last two decades nor even discussed the propriety of creating a new federal common law rule. The Court has already indicated that such a precedent should be narrowly construed.

For example, in *Touche Ross & Co.* v. *Redington*, 442 U.S. 560 (1979), the Court declined to imply a new cause of action under § 17(a) of the Securities Exchange Act of 1934. It did so even though an earlier

[7] *See, e.g., Lasercomb Am., Inc.* v. *Reynolds*, 911 F.2d 970, 975-76 (4th Cir. 1990); *DSC Communications Corp.* v. *DGI Techs., Inc.*, 81 F.3d 597, 601-02 (5th Cir. 1996).

decision, *J.I. Case Co.* v. *Borak*, 377 U.S. 426 (1964), had provided a significant contrary precedent by implying a cause of action under § 14(a) of that Act. See 442 U.S. at 576-77. The Court explained that "in a series of cases since *Borak* we have adhered to a stricter standard for the implication of private causes of action, and we follow that stricter standard today." *Touche Ross*, 442 U.S. at 578. That reasoning applies with even greater force here, where the prior opinion, *Morton Salt*, involves not simply a different provision within a single Act, but an entirely different statute.

Second, the analogy to patent law ignores the Court's more relevant copyright precedents. For example, this Court previously "decline[d] the invitation" to disregard the plain language of the Copyright Act in order to "accommodate various competing considerations of copyright, communications, and antitrust policy." *Fortnightly Corp.* v. *United Artists Television, Inc.*, 392 U.S. 390, 401 (1968). The Court explained that "that job is for Congress," and pointedly noted that "[w]e take the Copyright Act of 1909 as we find it." *Id.* at 401-02; see *Sony Corp.*, 464 U.S. at 456 (insisting on "[a]pplying the copyright statute, as it now reads," because "it is not our job to apply laws that have not yet been written").

The same approach is doubly warranted here. The Copyright Act has been thoroughly overhauled since *Fortnightly* (cf. *id.* at 396 n.17) without any reference to a copyright misuse defense. Moreover, Congress' codification of a narrowed version of the misuse defense in the patent laws, 35 U.S.C. § 271(d), demonstrates that when "Congress wishe[s] to provide" such a defense, "it kn[ows] how to do so." *Touche Ross*, 442 U.S. at 572.[8]

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[8] Congress has twice acknowledged and limited the doctrine of misuse in patent law. *See* 35 U.S.C. § 271(d). In 1952, Congress added subsections 271(d)(1)-(3) to title 35 to "clarif[y]" that the patent misuse doctrine should not be applied broadly to eliminate

Third, the "historic kinship between patent law and copyright law" (*Sony Corp.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984)), has never been a ground for ignoring relevant differences between the two. This Court has always "recognize[d] [that] there are substantial differences between the patent and copyright laws" and "exercise[d] caution . . . in applying doctrine formulated in one area to the other." *Id.* at 442, 439 n.19.[9] The differences between patents and copyrights counsel against a copyright misuse defense. While in the past the Court has held that a copyright can give its owner market power, see *United States* v. *Loew's, Inc.*, 371 U.S. 38 (1962), it has become evident that "[t]he danger of monopoly is more acutely posed by patents than by copyrights." *Saturday Evening Post*, 816 F.2d at 1199. Patents provide exclusive rights against all expressions of the patented idea, while copyrights protect only a given expression. Copyrights thus tend to create "a legal rather than necessarily an economic monopoly." *Id.* at 1198; see also *Sony Corp.*, 464 U.S. at 432-33 (noting limitations on author's rights under the Copyright Act); Davidson & Engisch, *supra*, at 322 ("[t]he statutory copyright monopoly is substantially weaker than the patent monopoly").

Finally, in other statutory contexts, the Court has refused to establish new affirmative defenses based on its patent misuse precedents. See *Bruce's Juices, Inc.* v.

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contributory infringement claims. *See* S. Rep. No. 82-1979 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2402. In 1988, Congress further restricted the doctrine by adding subsection (5) to foreclose misuse claims based on leveraging (*e.g.*, *Morton Salt*) unless the patent owner possesses market power.

[9] *See Mazer* v. *Stein*, 347 U.S. 201, 217 (1954) ("[u]nlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself"); *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 345 (1908) ("If we were to . . . discuss the rights of a patentee, under letters patent, and then, by analogy, apply the conclusions to copyrights, we might greatly embarrass the consideration of a [subsequent] case under letters patent").

American Can Co., 330 U.S. 743 (1947) (creditor's violation of Robinson-Patman Act provides no affirmative defense to breach of contract); *id.* at 761-62 (Murphy, J., dissenting) (citing patent misuse cases); *Kelly* v. *Kosuga*, 358 U.S. 516 (1959) (no affirmative defense to breach of contract based on antitrust violation); *D.R. Wilder Mfg. Co.* v. *Corn Prods. Ref. Co.*, 236 U.S. 165, 172-75 (1915).

Nevertheless, as discussed below, the Fourth, Fifth, and Ninth Circuits, and other lower courts, have interpreted this Court's patent misuse precedent to require extension of the patent misuse defense to copyright law. Those holdings are in substantial tension with this Court's more recent cases that limit creation of federal common law to exceptional circumstances, that require adherence to the plain language of the Copyright Act, and that have refused to extend the patent misuse defense in other statutory contexts. "[U]ncertainty persists" in the lower courts because "no United States Supreme Court decision has firmly established a copyright misuse defense in a manner analogous to the establishment of the patent misuse defense by *Morton Salt*" (*Lasercomb*, 911 F.2d at 976), because a number of district courts have refused to recognize the defense at all,[10] and because some appellate courts continue to reserve the question as an "open issue" (*Reed-Union Corp.* v. *Turtle Wax, Inc.*, 77 F.3d 909, 913 (7th Cir. 1996) (Easterbrook, J.)).[11] The Court should end

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[10] *See, e.g., Rural Tel. Serv. Co.* v. *Feist Publications, Inc.*, 663 F. Supp. 214, 220 (D. Kan. 1987) ("concur[ring] with prior case law which holds that antitrust violations do *not* constitute a defense to copyright infringement" and citing prior cases), *aff'd mem.*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 499 U.S. 340 (1991); *Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979); *see* 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.09[A] at 286-87 & nn. 6-11 (1997) (citing early cases).

[11] *See Data General Corp.* v. *Grumman Sys. Support Corp.*, 36 F.3d 1147, 1169-70 (1st Cir. 1994) (leaving undecided the question whether "federal copyright law permits a misuse defense"); *see*

the uncertainty and resolve whether the federal courts may properly create a federal common law defense of copyright misuse.

II.

If the Court were to conclude that federal courts should be permitted to create a doctrine of copyright misuse, a second question of comparable national importance would arise as to the standard that would govern such a defense. The Court should resolve the conflict in the lower courts on this question, particularly in view of the acknowledged importance of national uniformity in the copyright laws.

1. The Seventh Circuit has held that, if copyright misuse is to be recognized at all, it must be limited to conduct "shown to violate antitrust law." *Saturday Evening Post Co.* v. *Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987). The alleged misuse in that case—a "no-contest" provision in a licensing agreement that forbade licensees from challenging the validity of the copyright—was premised on substantial public policy grounds borrowed from the patent context. Nevertheless, the Seventh Circuit refused to find copyright misuse because the defendant had failed to prove that the licensing provision would "violate antitrust law." *Id.*

In explaining its holding, the court began by quoting from an earlier Seventh Circuit patent misuse decision that limited misuse claims to antitrust violations because it was too "late in the day" to begin developing "alternative concepts of monopolistic abuse":

> If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subject-

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also United Tel. Co. v. *Johnson Publ'g Co.*, 855 F.2d 604, 612 (8th Cir. 1988) (only "assum[ing]" that there is a copyright misuse defense); *Edward B. Marks Music Corp.* v. *Colorado Magnetics, Inc.*, 497 F.2d 285, 290-91 (10th Cir. 1974) (same).

> ing the rights of patent holders to debilitating uncertainty.

Id. (quoting *USM Corp.* v. *SPS Techs., Inc.*, 694 F.2d 505, 512 (7th Cir. 1982)). The court then observed that "[t]his point applies with even greater force to copyright misuse, where the danger of monopoly is less." 816 F.2d at 1200.[12]

Other courts have taken a similar approach. The Tenth Circuit, in *Edward B. Marks Music Corp.* v. *Colorado Magnetics, Inc.*, 497 F.2d 285 (1974), assumed "*arguendo* that an antitrust violation is a defense in a copyright infringement action," but reversed the lower court's finding of misuse because "defendants' piracy is unmistakably clear, while the plaintiffs' infraction of the antitrust laws is doubtful and at most marginal." *Id.* at 290-91 (internal quotation omitted). The Eighth Circuit, citing *Edward B. Marks* and a Seventh Circuit case that also tested copyright misuse against "the antitrust laws," found no misuse because there was no proof of "an effort to restrain competition . . . ." *United Tel. Co.* v. *Johnson Publ'g Co.*, 855 F.2d 604, 611-12 (8th Cir. 1988). The Eleventh Circuit, in a decision subsequently reversed on other grounds, has also rejected an asserted copyright misuse defense "because there is no antitrust violation." *BellSouth Adver. & Publ'g Corp.* v. *Donnelly Info. Publ'g, Inc.*, 933 F.2d 952, 961 (11th Cir. 1991), *rev'd on other grounds*, 999 F.2d 1436 (11th Cir. 1993) (en banc).

2. In contrast, the Fourth Circuit in *Lasercomb* held emphatically that "a misuse need not be a violation of

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[12] *See also F.E.L. Publications, Ltd.* v. *Catholic Bishop of Chicago*, 214 U.S.P.Q. 409, 417 n.9 (7th Cir. 1982) (effectively applying an antitrust standard); *Reed-Union Corp.* v. *Turtle Wax, Inc.*, 77 F.3d 909, 913 (7th Cir. 1996) (whether to recognize the defense is "an open issue" in that circuit because copyrights "create less market power than patents"); *cf. qad. inc.* v. *ALN Assocs., Inc.*, 974 F.2d 834, 836-37 (7th Cir. 1992) (acknowledging district court ruling based on *Lasercomb* but declining to reach it on jurisdictional grounds).

antitrust law," and that the relevant "question" instead is whether "the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright." *Lasercomb*, 911 F.2d at 978. Applying this standard, the Fourth Circuit became the first appellate court to suspend enforcement of a valid copyright on misuse grounds. *Id.* at 978-79. The factual predicate for the court's decision was the owner's master licensing agreement, offered to (and accepted by some) licensees, which contained a provision that prohibited licensees from developing competing software for 99 years. Although such a provision raises significant competitive concerns, the court conspicuously made no inquiry into whether the copyright had conferred any degree of market power on its owner, what competing products existed, whether any actual or potential competitor had been discouraged from developing a rival product, or any other inquiry that would tend to illuminate whether that licensing provision in fact had any marketplace impact at all.

Although initially viewed as "the exceptional case" (Nimmer, § 1309[A] at 13-289), *Lasercomb* has proven remarkably influential. Relying expressly on *Lasercomb*, the Fifth Circuit has now upheld the denial of preliminary injunctive relief against copyright infringement on the ground that the defendant was likely to succeed in proving copyright misuse under *Lasercomb*'s "public policy" standard. *DSC Communications Corp.* v. *DGI Techs., Inc.*, 81 F.3d 597, 601-02 (5th Cir. 1996); see *id.* at 601 (quoting at length from *Morton Salt* and *Lasercomb* and expressly "concur[ring] with the Fourth Circuit's characterization of the copyright misuse defense"). Other lower courts have also found *Lasercomb* persuasive.[13] And of

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[13] *See, e.g., In re Independent Serv. Orgs. Antitrust Litig.*, 964 F. Supp. 1469, 1476-77 (D. Kan. 1997), *modified on reconsideration*, 1997 WL 805237; *National Cable Television Ass'n* v. *Broadcast Music, Inc.*, 772 F. Supp. 614, 652 (D.D.C. 1991); *qad. inc.* v. *ALN Assocs., Inc.*, 770 F. Supp. 1261, 1267 (N.D. Ill. 1991), *aff'd*, 974 F.2d 834 (7th Cir. 1992); *cf. Hill* v. *Xyquad, Inc.*, 939 F.2d 627 (8th Cir. 1991) (dissolving preliminary injunction and remanding, *inter*

course, in the decision below, the Ninth Circuit not only recognized copyright misuse for the first time (App. 9a) but explicitly rejected an antitrust standard for copyright misuse in express reliance upon *Lasercomb*. App. 11a. The standard for judging copyright misuse, therefore, is the subject of a significant and recurring conflict.

3. This conflict is particularly worthy of the Court's review now. The need for "national uniformity" in copyright law is "more essential" than ever before:

> One of the fundamental purposes behind the copyright clause of the Constitution, as shown in Madison's comments in The Federalist, was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States. Today, when the methods for dissemination of an author's work are incomparably broader and faster than they were in 1789, national uniformity in copyright protection is even more essential than it was then to carry out the constitutional intent.

H.R. Rep. No. 94-1476, at 129 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5745; see *Community for Creative Non-Violence* v. *Reid*, 490 U.S. 730, 731 (1989) (the Copyright Act "is expressly intended to create a federal law of uniform, nationwide application by broadly preempting state statutory and common-law copyright regulation"). The widespread conflict over what constitutes copyright misuse thus defeats one of the Act's bedrock purposes. This Court's review is therefore especially important here.

This conflict merits review now for a second reason. A broadly conceived public policy standard, inherently subjective in application, has a significant potential to undermine the express goals of the statute. In *Lasercomb*,

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alia, for consideration of misuse defense in light of *Lasercomb*); *see generally* 2 Paul Goldstein, *Copyright*, § 9.6 (2d ed. 1998).

for example, there was "no question that defendants engaged in unauthorized copying" of plaintiff's software, marketed their pirate version as "[their] own," and engaged in "deceptive practices" and "subterfuge" to conceal the truth from plaintiff. 911 F.2d at 971-72. It is difficult to understand how allowing intentional software pirates to escape all penalties—in violation of the express terms of the statute—is more consistent with the Act's goals than allowing the copyright owner to propose licensing provisions of uncertain impact that are unregulated by any express provision of the Act. Compare *Edward B. Marks*, 497 F.2d at 290-91.

Not surprisingly, this Court has previously and repeatedly interceded to prevent federal courts from refusing to enforce collective bargaining agreements or arbitration awards on the basis of " 'general considerations of supposed public policy' " as opposed to clear conflicts with " 'laws and legal precedents.' " [14] Similar intervention, at a minimum, is called for in enforcing the Copyright Act, where "[a]s the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors . . . ." *Sony Corp.*, 464 U.S. at 429; see also *id.* at 456 (" 'the sign of how far Congress has chosen to go can come only from Congress' ").

4. The decision below illustrates the dangers of permitting courts to deny litigants their statutory rights based upon open-ended public policy concerns. The court made no effort to identify any "laws" or "legal precedents"

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[14] *See, e.g., United Paperworkers Int'l Union* v. *Misco, Inc.*, 484 U.S. 29, 44 (1987), quoting *W.R. Grace & Co.* v. *Rubber Workers*, 461 U.S. 757, 766 (1983), quoting *Muschany* v. *United States*, 324 U.S. 49, 66 (1945); *United Mine Workers Health & Retirement Funds* v. *Robinson*, 455 U.S. 562, 576 (1982) ("when neither the collective-bargaining process nor its end product violates any command of Congress, a federal court has no authority to modify the substantive terms of a collective-bargaining contract").

(*Misco*, 484 U.S. at 44) that were violated by the AMA's licensing agreement with HCFA, and there are none.

First, the exclusive use provision that the court below found to constitute misuse does not violate the antitrust laws. There is no basis for finding an antitrust violation here because it is undisputed that HCFA is free under its agreement with the AMA to terminate the agreement at any time simply by giving the AMA ninety-days notice. App. 3a n.2; SER 3-2, p. 4, ¶ 10. The prospect of gaining an exclusive contract, together with HCFA's straightforward termination rights, would provide competitors an incentive to seek to replace the AMA, and permit HCFA easily to abandon the Agreement altogether in favor of a competing work if it wished to do so. Although exclusive-dealing provisions are typically examined under the rule of reason, agreements "terminable in less than a year are presumptively lawful under section 3 [of the Clayton Act]" and have been repeatedly upheld against antitrust challenge. *Roland Mach. Co.* v. *Dresser Indus., Inc.*, 749 F.2d 380, 395 (7th Cir. 1984).[18]

Second, HCFA's exclusive use of *CPT* is—if not compelled by HCFA's governing statute—at least fully consistent with it. Congress has given HCFA's parent agency, the Department of Health and Human Services, a mandate to "establish a uniform procedure coding system for the coding of all physicians' services." 42 U.S.C. § 1395w-4 (c)(5). Simultaneous use of "other [medical coding] forms as well" as *CPT*—the result that the Ninth Circuit found foreclosed by the licensing agreement (App. 10a) —would hinder if not entirely defeat achievement of a uniform scheme. Indeed, by entering into the Agree-

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[18] *See, e.g., Tampa Elec. Co.* v. *Nashville Coal Co.*, 365 U.S. 320, 333-35 (1961) (20-year exclusive contract justified under rule of reason); *Thompson Everett, Inc.* v. *National Cable Adver.*, 57 F.3d 1317 (4th Cir. 1995) (one-year exclusive contract had no anti-competitive effect); *American Passage Media Corp.* v. *Cass Communications, Inc.*, 750 F.2d 1470, 1473 (9th Cir. 1985) (exclusive-dealing contracts that are "terminable at will" do not support claim that defendant foreclosed competition).

ment, HCFA itself has effectively expressed the view that the contract serves the public interest. In short, Congress has set the relevant policy, and HCFA followed it. By disregarding that policy, the Ninth Circuit's decision underscores the "debilitating uncertainty" inherent in an open-ended public policy standard. *Saturday Evening Post*, 816 F.2d at 1200 (citation omitted).

Finally, this case also reveals a drawback in the use of an affirmative defense to remedy perceived problems in copyright licenses. The respondent here has no intention of competing to develop a new code and win a contract with HCFA, and thus has suffered no injury from the challenged licensing provision. Yet respondent reaps the windfall of avoiding liability for damages. That the Ninth Circuit could conclude that "equity" and "public policy" condone the wholesale copying and selling of a copyrighted work vividly "demonstrates the runaway tendencies of 'federal common law' untethered to a genuinely identifiable (as opposed to judicially constructed) federal policy." *O'Melveny & Myers*, 512 U.S. at 89.

III.

This Court should also grant the petition to resolve the conflict in the circuits whether obtaining a government contract with an anticompetitive restriction is conduct protected under the First Amendment. The Ninth Circuit held that "[b]ecause the AMA did not lobby HCFA to adopt the *CPT*, the AMA's First Amendment right to petition the government is not at stake." App. 11a. By holding that the AMA's obtaining of a contract with HCFA did not involve "lobby[ing]" within the meaning of the *Noerr-Pennington* doctrine, the court's decision conflicts with decisions of other courts of appeals that have refused to create a commercial or government contract exception to the *Noerr-Pennington* doctrine.

The *Noerr-Pennington* doctrine provides constitutional protection to private efforts to influence government officials, including those in administrative agencies, "regard-

less of [the petitioner's] intent or purpose" and "even though intended to eliminate competition." *United Mine Workers* v. *Pennington*, 381 U.S. 657, 670 (1965). Notably, the *Pennington* case involved commercial activity: private parties petitioned government officials with respect to terms of government purchases of coal from themselves and third parties. *Id.* Nevertheless, "[t]he Supreme Court . . . [has] never expressly considered the validity of . . . the commercial exception to the *Noerr/Pennington* doctrine. . . ." *TEC Cogeneration, Inc.* v. *Florida Power & Light Co.*, 76 F.3d 1560, 1573 (11th Cir.), modified on reh'g, 86 F.3d 1028 (1996).

The lower courts are divided on this issue. The Ninth Circuit's decision conflicts most sharply with the Fifth Circuit's decision in *Greenwood Utils. Comm'n* v. *Mississippi Power Co.*, 751 F.2d 1484 (1985). In *Greenwood*, plaintiff argued, as respondent did below, "that *Noerr-Pennington* protection does not extend to the restrictive contract provision itself even though the doctrine might protect the conduct [*i.e.*, lobbying] that caused the government to adopt it." *Id.* at 1504. The court rejected "any notion that there should be a commercial exception to *Noerr-Pennington*," *id.* at 1505, and noted the difficulty of applying such an exception when the agency is simultaneously making a "policy decision" and acting "as a participant in the marketplace." *Id.* The court explained that the *Noerr-Pennington* doctrine is fully applicable when the petitioned government agency or official voluntarily becomes a party to an allegedly anticompetitive agreement:

> There would be no question about [defendant's] protected status if it had persuaded the Interior Department to promulgate a regulation requiring . . . a similar restrictive marketing arrangement. We see no reason why the result should be different when the government's decision is embodied in a contract with a private entity rather than in a regulation or statute.

Id.; see *Independent Taxicab Drivers' Employees* v. *Greater Houston Transp. Co.*, 760 F.2d 607, 612-13 (5th Cir. 1985).[16]

In reaching its holding, the Fifth Circuit expressly declined to follow the lead of other circuits that have crafted exceptions for commercial conduct. 751 F.2d at 1505 n.14. For example, the First Circuit has held that the *Noerr-Pennington* doctrine cannot be invoked to immunize conduct directed at government agencies or officials acting in a commercial capacity. See *George R. Whitten, Jr., Inc.* v. *Paddock Pool Builders, Inc.*, 424 F.2d 25, 33 (1st Cir. 1970) (no protection for "efforts to sell products to public officials acting under competitive bidding statutes"). The District of Columbia Circuit, too, has embraced a commercial exception to *Noerr-Pennington*. See *Federal Prescription Serv., Inc.* v. *American Pharm. Ass'n*, 663 F.2d 253, 263 & n.10 (D.C. Cir. 1981) (dicta); *Hecht* v. *Pro-Football, Inc.*, 444 F.2d 931, 941-42 (D.C. Cir. 1971). See also *City of Atlanta* v. *Ashland-Warren, Inc.*, 1982-1 Trade Cas. (CCH) ¶ 64,527 at 72,926-29 (N.D. Ga. 1981) (adopting commercial exception to *Noerr-Pennington*).[17] Finally, this Court's recent acknowledg-

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[16] *See also TEC Cogeneration, Inc.* v. *Florida Power & Light Co.*, 76 F.3d 1560, 1573 (11th Cir. 1996) (expressing substantial doubt about the commercial exception); *United States Football League* v. *National Football League*, 634 F. Supp. 1155, 1179-80 (S.D.N.Y. 1986) (same); *BusTop Shelters, Inc.* v. *Convenience & Safety Corp.*, 521 F. Supp. 989, 996 n.9 (S.D.N.Y. 1981) (*Noerr-Pennington* doctrine should not be "narrowly circumscribed when the government participates in the commercial activity in question"). *Accord* 1 Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶ 209a, at 259-60 (1997) (criticizing commercial exception as "unsound").

[17] Although the Ninth Circuit appeared previously to hold that there is no commercial exception to *Noerr-Pennington*, see *In re Airport Car Rental Antitrust Litig.*, 693 F.2d 84, 87 (9th Cir. 1982), respondent argued successfully below that *Airport Car Rental* stands only for the proposition that *lobbying* of government with respect to commercial issues is protected, and not entering into government contracts. App. 11a. On this reading, of course, *Airport Car Rental* conflicts with *Greenwood*.

ment, in *City of Columbia* v. *Omni Outdoor Adver. Inc.*, 499 U.S. 365, 379 (1991), of a "possible market participant exception" to the state action doctrine of *Parker* v. *Brown*, 317 U.S. 341 (1943), might be perceived to support a commercial exception to the *Noerr-Pennington* doctrine. See, *e.g.*, *Total Benefit Servs.* v. *Group Ins. Admin., Inc.*, 875 F. Supp. 1228, 1241 (E.D. La. 1995).

The direct conflict between the Fifth Circuit's decision in *Greenwood* and the decision below thus reflects a broader and acknowledged conflict in the courts over the degree to which the First Amendment protects commercial contracts with the government.[18] This constitutional question therefore is plainly one of national importance that independently merits the Court's review.

* * * *

Had this case arisen in the Seventh Circuit, it is plain (under *Saturday Evening Post* and *Roland Machinery*) that the AMA would not have been denied enforcement of its copyright in order to further some ill-defined public policy. This case therefore squarely presents the conflict in the circuits over the standard for evaluating claims for copyright misuse, and for that reason alone merits plenary review. Similarly, had the case arisen in the Fifth Circuit, the AMA's contract with HCFA would have been fully immune against any claim of misuse, judged by any standard, under *Greenwood*.

More fundamentally, the conflict and confusion in the lower courts over what standard to apply to copyright misuse is the inevitable consequence of the Fourth Circuit's decision to unleash and encourage federal courts to apply their own conception of the public policy em-

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[18] Note, *The Commercial Exception: A Necessary Limitation to the Noerr-Pennington Doctrine*, 63 Ind. L.J. 401, 402 n.11 (1988) (describing conflict); Del Stiltner Dameron & Robert J. Sherry, *Son of Scanwell: Antitrust Challenges to Government Contract Awards and Related Actions*, 92 Dick. L. Rev. 281, 309 n.176 (1988) (same).

bodied in the grant of a copyright, rather than the plain language of the Copyright Act itself. Whether such a radical departure from Congress' express directive—and from this Court's standards governing the propriety of creating federal common law—is warranted, is a question of fundamental national importance that calls out for review by this Court.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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March 20, 1998

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 94-56774
D.C. No. CV-94-03107-DT

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California Corporation,
Plaintiff-Appellant,
v.

THE AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendant-Appellee.

Appeal from the United States District Court
for the Central District of California
Dickran M. Tevrizian, District Judge, Presiding

Argued and Submitted August 7, 1995
Submission Vacated June 18, 1996
Resubmitted September 13, 1996
Pasadena, California

Filed August 6, 1997
Amended January 9, 1998

ORDER AND AMENDED OPINION

Before: James R. Browning, William A. Norris, and Stephen Reinhardt, Circuit Judges.

Opinion by Judge Browning

ORDER

The opinion filed on August 6, 1997, is amended as follows:

(1) The second sentence in the last paragraph of Section III is stricken, and the third sentence is amended to read: "Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake." 121 F.3d 516, 521 (9th Cir. 1997).

(2) The words "on its copyright misuse claim" are added to the last sentence of the opinion. 121 F.3d at 521.

OPINION

BROWNING, Circuit Judge:

Practice Management Information Corporation ("Practice Management") appeals from a partial summary judgment and preliminary injunction forbidding it from publishing a medical procedure code copyrighted by the American Medical Association ("the AMA").[1]

I.

Over thirty years ago, the AMA began the development of a coding system to enable physicians and others to identify particular medical procedures with precision. These efforts culminated in the publication of the Physician's Current Procedural Terminology ("the CPT"), on which the AMA claims a copyright.

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[1] We have jurisdiction under 28 U.S.C. § 1292(a)(1). *See MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 516 (9th Cir. 1993).

The current edition of the CPT identifies more than six thousand medical procedures and provides a five-digit code and brief description for each. The CPT is divided into six sections—evaluation, anesthesia, surgery, radiology, pathology, and medicine. Within each section, procedures are arranged to enable the user to locate the code number readily. In the anesthesia section, procedures are grouped according to the body part receiving the anesthetic; in the surgical section, the procedures are grouped according to the body system, such as the digestive or urinary system, on which surgery is performed. The AMA revises the CPT each year to reflect new developments in medical procedures.

In 1977, Congress instructed the Health Care Financing Administration ("HCFA") to establish a uniform code for identifying physicians' services for use in completing Medicare and Medicaid claim forms. *See* 42 U.S.C. § 1395w-4(c)(5). Rather than creating a new code, HCFA contracted with the AMA to "adopt and use" the CPT. Agreement ¶ 1. The AMA gave HCFA a "nonexclusive, royalty free, and irrevocable license to use, copy, publish and distribute" the CPT. *Id.* ¶ 3(a). In exchange, HCFA agreed "not to use any other system of procedure nomenclature . . . for reporting physicians' services" and to require use of the CPT in programs administered by HCFA, by its agents, and by other agencies whenever possible. *Id.* ¶¶ 1, 2.[2]

HCFA published notices in the Federal Register incorporating the CPT in HCFA's Common Procedure Coding System, *see* 48 Fed. Reg. 16750, 16753 (1983); 50 Fed. Reg. 40895, 40897 (1985), and adopted regulations requiring applicants for Medicaid reimbursement to use the CPT. *See* 42 C.F.R. § 433.112(b)(2) (requiring compliance with Part 11 of the *State Medicaid Manual*,

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[2] HCFA had the right to cancel the agreement and use a competing coding system at any time and without penalty on ninety days notice. Agreement ¶ 10.

which requires states receiving federal funding for Medicaid to adopt the Administration's Common Procedure Coding System as the exclusive medical procedure coding system).[3]

Practice Management, a publisher and distributor of medical books, purchases copies of the CPT from the AMA for resale. After failing to obtain the volume discount it requested, Practice Management filed this lawsuit seeking a declaratory judgment that the AMA's copyright in the CPT was invalid for two reasons: (1) the CPT became uncopyrightable law when HCFA adopted the regulation mandating use of CPT code numbers in applications for Medicaid reimbursement, and (2) the AMA misused its copyright by entering into the agreement that HCFA would require use of the CPT to the exclusion of any other code. The district court granted partial summary judgment for the AMA and preliminarily enjoined Practice Management from publishing the CPT. Practice Management appeals.

II.

Practice Management's argument that the CPT became law and entered the public domain when HCFA by regulation required its use rests ultimately upon *Banks v. Manchester*, 128 U.S. 244 (1888), which held that judicial opinions are uncopyrightable. *Banks* in turn rests upon two grounds, neither of which would justify invalidation of the AMA's copyright.

The first ground for the *Banks* holding that judicial opinions are not subject to copyright is that the public owns the opinions because it pays the judges' salaries. *Id.* at 253. The second is that as a matter of public policy,

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[3] Other federal agencies require physicians to use the CPT. *See, e.g.*, 20 C.F.R. § 10.411(c) (stating that physicians seeking compensation under the Federal Employees' Compensation Act must identify their services using CPT codes). The state of California has incorporated the CPT into its Code of Regulations. *See* Cal. Code Regs. tit. 22, § 51050.

"the whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all . . . ." *Id.*

The first ground is clearly not applicable to the CPT. The copyright system was not significant in *Banks* because judges had no proprietary interest in their opinions. The copyright system is of central importance in this case because the AMA authored, owns, and maintains the CPT and claims a copyright in it.

The copyright system's goal of promoting the arts and sciences by granting temporary monopolies to copyright-holders was not at stake in *Banks* because judges' salaries provided adequate incentive to write opinions. In contrast, copyrightability of the CPT provides the economic incentive for the AMA to produce and maintain the CPT. "To vitiate copyright, in such circumstances, could, without adequate justification, prove destructive of the copyright interest, in encouraging creativity," a matter of particular significance in this context because of "the increasing trend toward state and federal adoptions of model codes." 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.06[C], at 5-92 (1996).[4] As the AMA points out, invalidating its copyright on the ground that the CPT entered the public domain when HCFA required its use would expose copyrights on a wide range of privately authored model codes, standards, and reference works to invalidation.[5] Non-profit organizations that de-

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[4] *See also Building Officials & Code Admin. v. Code Tech., Inc.*, 628 F.2d 730, 736 (1st Cir. 1980) (recognizing "a possible trend towards state and federal adoption, either by means of incorporation by reference or otherwise, of model codes"); 58 Fed. Reg. 57643, 57644-45 (1993) (Office of Management and Budget directed federal agencies to adopt private standards "whenever practicable" in order to "eliminate[] the costs to the Government of developing its own standards").

[5] *See, e.g.*, 32 C.F.R. § 199.13(c)(2) (limiting payment of dental benefits to procedures defined in the Current Dental Terminology);

velop these model codes and standards warn they will be unable to continue to do so if the codes and standards enter the public domain when adopted by a public agency.[6]

The second consideration underlying *Banks*—the due process requirement of free access to the law—may be relevant but does not justify termination of the AMA's copyright. There is no evidence that anyone wishing to use the CPT has any difficulty obtaining access to it. *See Texas v. West Publ'g Co.*, 882 F.2d 171, 177 (5th Cir. 1989). Practice Management is not a potential user denied access to the CPT, but a putative copier wishing to share in the AMA's statutory monopoly. Practice Management does not assert the AMA has restricted access to users or intends to do so in the future.

The AMA's right under the Copyright Act to limit or forgo publication of the CPT poses no realistic threat to public access. The AMA has no incentive to limit or forgo publication. If the AMA were to do so, HCFA

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32 C.F.R. § 199.2 (conditioning payment of civilian medical benefits for mental disorders on showing the patient has a disorder listed in the *Diagnostic & Statistical Manual of Mental Disorders (DSM III)*); 16 C.F.R. § 1505.5(c)(5) (requiring electrically operated toys to have a type SP-2 electrical power cord, as defined in the National Electrical Code authored by the National Fire Protection Association); 16 C.F.R. § 1201.7 (requiring architectural glazing materials to conform to standards published by the American National Standards Institute); 7 C.F.R. § 1755.870(a)(8) (incorporating by reference Underwriters Laboratories Inc.'s Standard Test for Flame Propagation Height of Electrical and Optical-Fiber Cables Installed Vertically in Shafts); 11th Cir. R. 28-2(j) (requiring attorneys to conform their citations to *The Bluebook: A Uniform System of Citation*).

[6] Amicus briefs have been filed by the American Dental Association, American National Standards Institute, American Society of Association Executives, American Society of Heating, Refrigerating & Air-Conditioning Engineers, American Society of Mechanical Engineers, American Society for Testing and Materials, National Fire Protection Association, and Underwriters Laboratories Inc.

would no doubt exercise its right to terminate its agreement with the AMA.[7] Other remedies would also be available, including "fair use" and due process defenses for infringers, *see* 1 Nimmer & Nimmer, *supra*, § 5.06[C], at 5-92, and, perhaps most relevant, mandatory licensing at a reasonable royalty could be required in light of the great public injury that would result if adequate access to the CPT were denied. *See Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988); *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 976 (9th Cir. 1982), *rev'd on other grounds*, 464 U.S. 417 (1984).

The Supreme Court has not considered a case in which the author asserted a proprietary interest in material adopted by the government as law. However, the First and Second Circuits have declined to enjoin enforcement of private copyrights in these circumstances.

In *Building Officials & Code Admin. v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980), the district court preliminarily enjoined Code Technology, Inc. from copying a building code copyrighted by Building Officials & Code Administration ("BOCA"), a private, non-profit group, and adopted by the State. The First Circuit reversed. It recognized the problem posed by *Banks*, but nonetheless refrained from holding BOCA's copyright invalid:

> Groups such as BOCA serve an important public function; arguably they do a better job than could the state alone in seeing that complex yet essential regulations are drafted, kept up to date and made available. Since the rule denying copyright protec-

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[7] Alternatively, HCFA might by regulation or contract require the AMA to provide greater access. *See* H.R. Rep. No. 94-1476, at 59, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5672; Marvin J. Nodiff, *Copyrightability of Works of the Federal and State Governments Under the 1976 Act*, 29 St. Louis L.J. 91, 104 (1984).

> tion to judicial opinions and statutes grew out of a much different set of circumstances than do these technical regulatory codes, we think BOCA should at least be allowed to argue its position fully on the basis of an evidentiary record, into which testimony and materials shedding light on the policy issues discussed herein may be placed.

Id. at 74.

In *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994), the Second Circuit declined to invalidate the copyright on a privately prepared listing of automobile values that several states required insurance companies to use in calculating insurance awards:

> We are not prepared to hold that a state's reference to a copyrighted work as a legal standard for valuation results in loss of the copyright. While there are indeed policy considerations that support CCC's argument, they are opposed by countervailing considerations. For example, a rule that the adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution. We note also that for generations, state education systems have assigned books under copyright to comply with a mandatory school curriculum. It scarcely extends CCC's argument to require that all such assigned books lose their copyright—as one cannot comply with the legal requirements without using the copyrighted works. Yet we think it unlikely courts would reach this conclusion. Although there is scant authority of CCC's argument, Nimmer's treatise opposes such a suggestion as antithetical to the interests sought to be advanced by the Copyright Act.

Id. at 736.

For the reasons we have stated earlier, as well as those relied upon by the First and Second Circuits, we affirm the district court's conclusion that the AMA's copyright in the CPT should be enforced.[8]

III.

Practice Management argues that the AMA misused its copyright by negotiating a contract in which HCFA agreed to use the CPT exclusively. *See Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 977-79 (4th Cir. 1990) (defense of copyright misuse "forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office"); *see also DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601 (5th Cir. 1996) (same).[9] We have implied in prior decisions that misuse is a defense to copyright infringement. *See Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995); *Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors*, 786 F.2d 1400, 1408 (9th Cir. 1986). We now adopt that rule.

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[8] Practice Management argues that the CPT is an uncopyrightable industry standard or "idea" under section 102(b) of the Copyright Act, the merger doctrine, and *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1523-24 (9th Cir. 1993) because HCFA mandates use of CPT codes in Medicaid applications. This court has not allowed the owners of copyrights in expressions mandated by industry standards to use their copyrights to stifle independent creative expression in the industry. *Sega*, 977 F.2d at 1523-24. However, the AMA's copyright does not stifle independent creative expression in the medical coding industry. It does not prevent Practice Management or the AMA's competitors from developing comparative or better coding systems and lobbying the federal government and private actors to adopt them. It simply prevents wholesale copying of an existing system.

Practice Management did not appeal the district court's finding that the CPT was sufficiently original to qualify for copyright protection, and we do not review that question.

[9] Copyright misuse does not invalidate a copyright, but precludes its enforcement during the period of misuse. *See Lasercomb*, 911 F.2d at 979 n.22.

On the undisputed facts in the record before us, we conclude the AMA misused its copyright by licensing the CPT to HCFA in exchange for HCFA's agreement not to use a competing coding system. The AMA argues it did not insist HCFA use only the CPT; rather, HCFA decided to use a single code to take advantage of natural efficiencies. However, the plain language of the AMA's licensing agreement requires HCFA to use the AMA's copyrighted coding system and prohibits HCFA from using any other. The exclusivity requirement is a part of the consideration in exchange for which the AMA agreed to grant HCFA a "non-exclusive, royalty free, and irrevocable license to use, copy, publish and distribute" the CPT. Although HCFA apparently had nothing to gain from inclusion of the exclusivity provision, which side urged its inclusion is of no consequence. *Cf. Anchor Serum Co. v. Federal Trade Comm.*, 217 F.2d 867, 870 (7th Cir. 1954) (rejecting argument that exclusive dealing contract did not violate section 3 of the Clayton Act because buyer initiated negotiations and seller did not impose the contract terms on buyer). The controlling fact is that HCFA is prohibited from using any other coding system by virtue of the binding commitment it made to the AMA to use the AMA's copyrighted material exclusively. The absence of the agreement would not preclude HCFA from doing what the AMA suggests would be proper—deciding on its own to use only the AMA's system. What offends the copyright misuse doctrine is not HCFA's decision to use the AMA's coding system exclusively, but the limitation imposed by the AMA licensing agreement on HCFA's rights to decide whether or not to use other forms as well. Conditioning the license on HCFA's promise not to use competitors' products constituted a misuse of the copyright by the AMA.

The adverse effects of the licensing agreement are apparent. The terms under which the AMA agreed to license use of the CPT to HCFA gave the AMA a substantial and unfair advantage over its competitors. By

agreeing to license the CPT in this manner, the AMA used its copyright "in a manner violative of the public policy embodied in the grant of a copyright." *Lasercomb*, 911 F.2d at 977.

The AMA argues the copyright misuse defense fails because Practice Management did not establish an antitrust violation. We agree with the Fourth Circuit that a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense. *See Lasercomb*, 911 F.2d at 978.

We also reject the AMA's argument that the *Noerr-Pennington* doctrine immunized its actions. Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake.

IV.

We affirm the district court's ruling that the AMA did not lose its copyright when use of the CPT was required by government regulations, but reverse the ruling with respect to copyright misuse. We hold that Practice Management established its misuse defense as a matter of law, vacate the preliminary injunction, and remand for entry of judgment in favor of Practice Management on its copyright misuse claim.

AFFIRMED IN PART, REVERSED IN PART, VACATED, AND REMANDED.

APPENDIX B

[Filed Dec. 8, 1994]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-94-3107 DT (GHKx)

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California corporation,
Plaintiff-Counterdefendant,

vs.

AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendants-Counterplaintiff.

ORDER GRANTING DEFENDANT AMERICAN MEDICAL ASSOCIATION'S MOTION FOR PARTIAL SUMMARY JUDGMENT AND DENYING PLAINTIFF PRACTICE MANAGEMENT INFORMATION CORPORATION'S CROSS-MOTION FOR SUMMARY JUDGMENT PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 56(c).

Background

1. *Summary of Facts.*

This action arises under the Declaratory Judgment Act, 28 U.S.C. § 2201. Plaintiff Practice Management Infor-

mation Corporation ("PMIC") seeks a declaration that certain copyrights for the book entitled *Physicians' Current Procedural Terminology* ("CPT") of defendant American Medical Association ("AMA") are invalid and unenforceable because the federal government has required physicians to use the numerical codes contained in the CPT when describing medical procedures in requests for government reimbursement.

The following facts are undisputed. PMIC is a publisher of medical books. Defendant American Medical Association ("AMA") is a non-profit corporation and its business includes publishing, licensing for publication, and selling books used by medical professionals.

Since 1966, the AMA has published the CPT, a reference book which describes medical services performed by physicians and assigns a specific numerical code to each service. Declaration of Barry S. Eisenberg, ¶ 4 (Filed in support of Defendant's Opposition to Plaintiff's Motion for Preliminary Injunction) ("Eisenberg Decl."); *see also* CPT, attached as Exhibit 1 to the Declaration of James Davis filed in support of PMIC's Motion for Preliminary Injunction ("CPT" or "Exh. 1"). The CPT contains a list of thousands of five-digit code numbers and two-digit modifiers, each followed by a description of particular medical procedures. *See* CPT; U.S. Dept. of Health and Human Services, Office of Inspector General, Coding of Physician Services A-1 to A-2 (May 1994) ("HHS Report") at p. 1 and attached to the Eisenberg Decl. as Exhibit "C" (which was attached to the AMA's Opposition to PMIC's Motion for Preliminary Injunction). The code numbers and their accompanying descriptions are listed in numerical order, except that the frequently used code numbers beginning with the digits "99" are listed first. *See* CPT.

The CPT is used by physicians to obtain reimbursement for their medical services from the federal government, state governments and from private insurers. Eisenberg Decl., ¶¶ 6, 14. The physician finds the most accurate

description for the services he or she has performed, locates the corresponding CPT code number and writes the number on the appropriate reimbursement forms. In addiiton, the CPT also contains guidelines and definitions which instruct medical professionals how to use the CPT. The guidelines appear at the beginning of each section and are essential for selecting the correct CPT code number. *See* CPT, at p. xii.

The AMA updates the CPT every year, revising the code numbers, descriptions, definitions, and guidelines. The AMA publishes and distributes the revised edition of the CPT in the fall of each year. The 1995 CPT was scheduled for release in October 1994.

The Health Care Financing Administration ("HCFA") is an agency of the United States Department of Health and Human Services ("HHS"). The HCFA is responsible for administrating the financial reimbursement of hospitals, physicians, and other health-care professionals for medical services performed under the federally funded Medicare and Medicaid programs. 42 Fed. Reg. 13262 (March 9, 1977). HCFA is specifically charged with developing a uniform coding system for medical procedures to be used for reimbursement in all HCFA-administered programs. 42 U.S.C. § 1395w-4(c)(5). This system is commonly known as the HCFA Common Procedure Coding System or "HCPCS".

On February 1, 1983, HCFA entered into a licensing agreement with the AMA in which the AMA granted HCFA a royalty-free, nonexclusive license to use the CPT coding system. HHS Report at A-1 to A-2; Agreement, the Department of Health and Human Services, Health Care Financing Administration and American Medical Association, ¶ 3(a) dated February 1, 1983 ("Agreement") and attached as Exhibit "C" to AMA's Answer. HCFA may terminate the Agreement upon ninety days notice. Agreement, ¶ 10.

In exchange for this royalty-free license, HCFA promised to use its regulatory powers as a federal agency to "require the use of CPT-4 . . . in programs administered by HCFA by its agents and other entities participating in those programs." Agreement, ¶ 2(b). HCFA also promised not to use any other system of procedure nomenclature for reporting physicians' services. Agreement, ¶ 1. The Agreement also requires HCFA to include a copyright notice whenever it reprints the CPT. Agreement, ¶ 3(c). The notice is specifically designed to inform the public that only the AMA may reproduce the federally mandated AMA CPT system. Agreement, ¶ 3(c).

HCFA, other federal agencies and the United States Congress have incorporated the CPT into federal law.[1] These statutes and regulations mandate the use of the CPT coding system for obtaining reimbursement from the federal and state governments for medical services. For example, HCFA requires all states which receive federal funding or their Medicaid programs to adopt the CPT as the exclusive coding system to be used by all Medicaid health-care providers. 42 C.F.R. § 433.112(b)(2); *State Medicaid Manual,* Part 11, Section 11300 (App. K); *Medicaid Management Information Systems Requirements for Physician and Supplier Services,* 50 Fed. Reg. 40895, 40898 (October 7, 1985) (adopting this requirement) (App. C).

The Department of Labor requires all health-care providers treating patients under the Federal Employees' Compensation Act to identify their services using only the CPT coding system. 20 C.F.R. § 10.411; *see also* 51 Fed. Reg. 8280 (March 10, 1986) (adopting this require-

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[1] Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986 requires that all hospitals, "as a condition of payment for outpatient hospital services" under Medicare Part B to use the CPT to report their services. Pub. L. No. 99-509, § 9343(g), 100 Stat. 2040 (reprinted as a note following 42 U.S.C.S. § 1395(u) (App. E).

ment) (App. D). Similarly, Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986 requires that all hospitals, "as a condition of payment for outpatient hospital services" under Medicare Part B, to use the CPT to report their services. Pub. L. No. 99-509, § 9343(g), 100 Stat. 2040 (reprinted as a note following 42 U.S.C.S. § 1395(u) (App. E).

HCFA annually publishes a complete list of the CPT code numbers in the *Federal Register*. Each code number is listed in numerical order and is accompanied by an abbreviated description of the medical services which the code number designates, and a table of numbers which are used to calculate the reimbursement that health-care professionals will receive for performing the listed medical services. HCFA also publishes a series of manuals, including the Medicare Intermediary Manual and the State Medicaid Manual, which provide instructions to the institutions that process claims under Medicare and Medicaid. 53 Fed. Reg. 21730 (June 9, 1988). These manuals require the processing institutions to accept reimbursement applications which identify medical services using CPT code numbers.

For the past several years, PMIC has been reselling the CPT as printed by the AMA and currently resells more CPT books than anyone else. However, according to PMIC, the quality of the CPT has been declining annually, and the 1995 CPT published by the AMA will contain many errors and omissions. The AMA announced that it will, for the first time, increase the size of its book from 6″ x 9″ to 8.5″ x 11″. PMIC claims that its customers overwhelmingly prefer the traditional 6″ x 9″ format. This preference has allegedly led PMIC to standardize its entire line of medical coding books in the 6″ x 9″ format. PMIC has indicated it intends to publish its own reference material using the CPT coding system or modified versions of the CPT coding system in the 6″ x 9″ format with its own corrections.

2. *Procedural History.*

PMIC filed its original Complaint on May 12, 1994. PMIC filed a motion for preliminary injunction against the AMA to enjoin the AMA from enforcing any copyrights for the CPT. On July 25, 1994, this Court denied that motion for preliminary injunction on the grounds that the CPT was sufficiently original to entitle it to copyright protection ("July 25 Order"). This Court rejected three of the four arguments presented by PMIC. The only issue left for determination was whether the federal government could destroy a valid copyright for a privately created reference book where the federal government then requires all physicians to use that reference book when participating in a federal program and seeking reimbursements. July 25, 1994 Order, at pp. 12-16.

On August 23, 1994, the parties signed a Stipulated Protective Order in which they agreed that certain evidence pertinent to this case may contain confidential or trade secret information and that such evidence or information would be designated as confidential.

On September 22, 1994 by Stipulation with PMIC, the AMA filed its Answer and Second Amended Counterclaim.

On October 21, 1994, the AMA filed the present Motion for Partial Summary Judgment seeking a judgment that the federal government's requirement that physicians use the CPT coding system when seeking reimbursement for participating in a federal program does not destroy a valid copyright in a privately created reference work. This motion is now before this Court.

On November 7, 1994, PMIC filed its Cross-Motion for Summary Judgment of Copyright Invalidity. This motion is also presently before this Court and is addressed concurrently herein.

On November 14, 1994, AMA filed a Motion for Preliminary Injunction to enjoin PMIC from using any por-

tion of the CPT without the AMA's express written authorization. This motion is presently before this Court and is addressed in a separate order.

On November 15, 1994, PMIC filed its First Supplemental Complaint by Stipulation with the AMA. The First Supplemental Complaint, in addition to the original request for declaratory judgment, also seeks monetary damages for statutory and common law unfair competition, intentional interference with contractual relationships, intentional interference with prospective economic advantage, false representation, specific performance, breach of contract and breach of the covenant of good faith and fair dealing. The First Supplemental Complaint does not affect any of the motions presently before this Court.

Discussion

1. *Standard.*

Under Rule 56(c) of the Federal Rules of Civil Procedure, summary judgment is proper only where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." The moving party has the burden of demonstrating the absence of a genuine issue of fact for trial. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). If the moving party satisfies the burden, the party opposing the motion must set forth specific facts showing that there remains a genuine issue for trial. Fed. R. Civ. P. 56(e).

A non-moving party who bears the burden of proof at trial to an element essential to its case must make a showing sufficient to establish a genuine dispute of fact with respect to the existence of that element of the case or be subject to summary judgment. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). Such an issue of fact is a genuine issue if it reasonably can be resolved in favor of either party. *Anderson*, 477 U.S. at 250-51. The non-

movant's burden to demonstrate a genuine issue of material fact increases when the factual context renders her claim implausible. *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). Thus, mere disagreement or the bald assertion that a genuine issue of material fact exists, no longer precludes the use of summary judgment. *Harper v. Wallingford*, 877 F.2d 728 (9th Cir. 1989); *California Building Products, Inc. v. Franciscan Ceramics, Inc.*, 818 F.2d 1466, 1468 (9th Cir. 1987), *cert. denied*, 108 S.Ct. 698 (1988).

2. *The CPT Is Not A "Law".*

The Copyright Act extends copyright protection to original works of authorship. 17 U.S.C. §§ 102(a), 103. This Court has already determined that the CPT "is sufficiently original to entitle it to copyright protection." July 25 Order, at p. 13. The Copyright Act denies copyright protection only for statutes and judicial opinions originally created by the federal government or its officials. 17 U.S.C. §§ 101, 105.

In 1909, Section 7 of the Copyright Act provided a savings clause to allow the government to use copyrighted materials in its publications. H.Rep. 2222, 60th Cong., 2d Sess. 10 (1909). Further, Section 8 of the prior act provided:

> "The publication or republication by the Government, either separately or in the public document, of any material in which copyright is subsisting shall not be taken to cause any abridgement or annulment of the copyright or to authorize any use or appropriation of such copyright material without the consent of the copyright proprietor."

17 U.S.C. § 8 (1909). In 1976, Congress further confirmed that "publication or other use by the Government of a private work would not affect its copyright protection in any way." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 60 (1976) re 17 U.S.C. §§ 101, 105, and reprinted

in 1976 U.S.C.C.A.N. 5659, 5672; M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 5.06[B][2] 1993; 1 Paul Goldstein, *Copyright*, § 2.5.2.2 (1989).

PMIC contends that the CPT is a "law" because its contents are incorporated by federal and state governments in various statutes and regulations, and it is therefore exempt from copyright protection. This Court disagrees. A ruling in PMIC's favor would be tantamount to invalidating the longstanding copyrights of such privately developed works as *A Uniform System of Citation* or West Publishing Company's case numbering system. Such a ruling would also be inconsistent with longstanding case law. *Educational Testing Service v. Katzman*, 793 F.2d 533, 540 (3d Cir. 1986) (upholding the ETS copyright even though the standardized test is a required entrance exam for many state schools); *West Publishing Co. v. Mead Data Central, Inc.*, 799 F.2d 1219 (8th Cir. 1986), *cert. denied*, 479 U.S. 1070 (1987) (required use of West numbering system for its reporters in the practice of law did not invalidate West's copyright). These private works, like the CPT, are required for use by the public, but such works have not themselves been enacted as law.

PMIC's position would undermine the official policies of the federal government to utilize private works. The Office of Management and Budget ("OMB") has directed federal agencies to adopt private works "whenever practicable and appropriate" thereby "eliminat[ing] . . . costs to the Government." Revision of OMB Circular No. A-119, Notice of Implementation, 58 Fed. Reg. 57643, 57644-57645 (October 26, 1993) (attached to the AMA's Moving Papers as Exhibit "A"). The OMB's stated policy provides:

> "Voluntary standards adopted by Federal agencies should be referenced, along with their dates of issuance and sources of availability, in appropriate publications, regulatory orders, and related in-house

> documents. Such adoption should take into account the requirements of copyright and other similar restrictions."

Id. Similarly, the Federal Communications Commission ("FCC") has adopted technical standards promulgated by the American National Standards Institute ("ANSI") which are set forth in a copyrighted publication of the Institute of Electrical and Electronics Engineers.[2] The Environmental Protection Agency also relies on standards promulgated and copyrighted by a private company, the American Society for Testing and Materials ("ASTM"). Declaration of Morris R. Brooke, at pp. 3-7.

The copyrights of privately developed works have been upheld and not ruled "laws" where the public has been required to use such work in governmental programs. *Rand McNally & Co. v. Fleet Management Systems, Inc.*, 591 F.Supp. 726, 736 (N.D.Ill. 1983) (upholding a copyright despite the federal government's use of a privately published distance guide as a tariff reference publication); *Del Madera Properties v. Rhodes and Gardner, Inc.*, 637 F.Supp. 262, 264 (N.D.Cal. 1985), *aff'd*, 820 F.2d 973 (9th Cir. 1987). The *Del Madera* Court found:

> "defendants argue that edicts of governments such as judicial opinions, administrative rulings, and legislative enactments are not copyrightable for reasons of public policy. 17 U.S.C. § 702 . . . In support of this argument, defendants rely on *Building Official & Code Administrators International, Inc. v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980) . . . Defendants' 'governmental enactment'

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[2] The FCC requires communications companies to use Rand McNally's *Commercial Atlas & Marketing Guide* when conducting their operations in a given locality. FCC, Public Notice, Personal Communications Services Information (Sept. 22, 1994) (which acknowledges Rand McNally's copyright and the licensing agreement) (A copy of this document was attached to the AMA's moving papers as Exhibit "E").

> argument is unpersuasive. There is no basis for a holding that the Tentative Map is an administrative ruling, legislative enactment, or similar official document. Unlike the building code at issue in *Code Technology*, the Map is not a self-executing ordinance. The analogous enactment consists of Resolution 1165 that approved the Tentative Map. The Map itself was merely approved and was not transformed by this act into law."

637 F.Supp. at 264. Similarly, the *Rand McNally* court held:

> "The law in this area is old and well-settled. It has remained limited to statutes and opinions promulgated by government officials for general application. No great expansions in scope have occurred since the major decisions of the late 1890's. The court sees no reason to extend this body of law to a privately published distance guide that is used as a tariff reference publication."

591 F.Supp. at 736. Thus, a federal agency's incorporation of a privately developed reference work as required use when participating in a government program does not destroy the copyright for that work. *Del Madera*, 637 F.Supp. at 264; *Rand McNally*, 591 F.Supp. at 735-736.

The *Code Technology* and *NADA Services Corp. v. CCC Information Services, Inc.* ("*NADA*") cases cited by PMIC are inapposite. *NADA*, 1991 U.S. Dist. LEXIS 18874 (N.D.Ill. 1991).[3] The *Code Technology* case involved a privately developed building code that the state of Massachusetts adopted as a set of administrative regulations. 628 F.2d at 731. Because that building code pro-

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[3] As this Court noted in its July 25 Order, the *NADA* case is distinguishable because this matter was not decided on the merits regarding the copyright misuse claim. The *NADA* court merely denied the motion for preliminary injunction. July 25 Order, at p. 11, n. 2.

vided for self-executing guidelines and violations of these guidelines could lead to sanctions, the *Code Technology* court held that the subject building code was not entitled to copyright protection. 628 F.2d at 734. Unlike the *Code Technology* building code, the CPT does not have self-executing guidelines and there is no provision for sanctions. Further, the Agreement provides that the HCFA may terminate its agreement with the AMA and discontinue use of the CPT upon 90 days written notice. Agreement, ¶ 10. Thus, the legislature need not take any formal legal action to repeal the CPT to cease the use of the CPT for reporting purposes, as required with a "law".

Del Madera is directly on point with this case. Like *Del Madera*, the CPT is not a self-executing ordinance. The CPT is a reference book with descriptions of medical procedures and corresponding numerical codes. In essence, the CPT is used to facilitate the procedural implementation of a federal law, but the CPT does not affect nor alter any physician's substantive rights. The CPT does not prescribe the conditions under which a particular medical service is subject to reimbursement. The federal government does not have to repeal a statute or ordinance to cease using the CPT for Medicaid or Medicare reporting. The HCFA need only give the AMA 90 days written notice of termination of the Agreement. The CPT does not sound like, look like nor act like a law.

The HCFA recognized that the AMA's copyright must be preserved "to ensure both that CPT would be maintained in a consistent and reliable form for the foreseeable future and that it would be updated in a timely manner." Brown Decl., ¶ 6. The Agreement specifically acknowledges the validity of the AMA's copyright in the CPT and the HCFA's intention not to destroy that copyright by utilizing the medical coding system provided in that private work. Agreement, ¶ 3(c).

This Court notes that public policy concerns also militate against PMIC's position that the CPT is a law and

is therefore invalid. PMIC's position would amount to an unlawful taking of private property. Under PMIC's position, the government could adopt any portion of a private copyrighted work for any purpose and at any time, and the copyright would be invalidated. Such a scenario would have a complete chilling effect upon private industry. Private industry would have no incentive to spend enormous sums on research and development knowing that the government could at any time incorporate such work. Brooke Decl., ¶¶ 7-8, 10. Under this reasoning, the public would also suffer because the government would be required to invest vast tax dollars to research areas which in the past the government has had the ability to utilize the private sector's advancements.

In essence, PMIC merely seeks to plagiarize the private work of the AMA without compensating the AMA for its copyright. PMIC is not entitled to do so. Based upon the foregoing, this Court rejects PMIC's claim that the AMA consented to the government's adoption of the CPT as law and finds that the CPT is not a "law", the CPT is entitled to copyright protection, and grants the AMA's Motion for Summary Judgment on this ground.

3. *PMIC's Position Would Amount To An Unlawful Taking.*

This Court has already ruled that destruction of the AMA's copyright in the CPT would amount to an unlawful taking of the AMA's property. July 25 Order, at p. 10. This Court specifically found that:

> "PMIC has failed to sufficiently rebut the AMA's takings argument. As the AMA points out, '[a]n interest in a copyright is a property right protected by the due process and just compensation clauses of the Constitution.' *See* Opposition at 14-15; *Roth v. Pritikin*, 710 F.2d 934, 939 (2d Cir.), *cert. denied*, 493 U.S. 961 (1983). This Court is unwilling to hold, at this time, that the AMA somehow waived

> its property rights in the CPT by encouraging the government to adopt the CPT as the industry standard for obtaining reimbursement for various medical procedures."

Id. As noted in Section 2 *supra*, PMIC's position would amount to a full scale taking of thousands of copyrights by the federal government and would subject the government to millions of dollars in just compensation awards. The *Roth* court noted that:

> "the spectre of a constitutional issue concerning the proper application of the 'takings clause' . . . is sufficient cause to construe the statute" to avoid reaching issues under the Takings Clause."

710 F.2d at 939. There is more than ample evidence before this Court which indicates that the Takings Clause of the Constitution would be violated if the Court were to adopt PMIC's position. Therefore, this Court again finds that PMIC has failed to rebut the AMA's takings argument.

4. *PMIC's Copyright Misuse Claim Is Without Merit.*

PMIC contends that the AMA has misused its copyright in the CPT by violating the Clayton Act through its exclusive dealing arrangement with the HCFA. PMIC also contends that the AMA's conduct constitutes copyright misuse by analogy to the antitrust laws. This Court disagrees. Although this Court acknowledges that some courts have recognized the copyright misuse claim (*Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs.*, 746 F.Supp. 320 (S.D.N.Y. 1990)), this Court finds that the undisputed facts demonstrate that the Agreement does not amount to copyright misuse. This Court previously ruled that the PMIC failed to show sufficient evidence of copyright misuse. July 25 Order, at pp. 15-16. This Court also previously distinguished the *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir.

1990) case so heavily relied upon by PMIC again in its present opposition and cross-motion.[4]

PMIC has failed to provide this Court with any new or persuasive evidence to support its copyright misuse claim. The law and undisputed facts before this Court demonstrate that the Agreement does not violate public policy and does not constitute copyright misuse. The Agreement is freely terminable upon 90 days written notice; the HCFA on its own initiative sought a single

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[4] The other cases cited by PMIC on its copyright misuse argument are also distinguishable from the present case. *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (the court denied a copyright misuse claim for failure to prove a violation of antitrust law and noting that there is less danger of monopoly in the copyright context than in the patent arena); *National Cable Television Association, Inc. v. Broadcast Music, Inc.*, 772 F.Supp. 614, 652 (D.D.C. 1991) (where court held that the infringers failed to prove any violation of the antitrust laws or that the patentee somehow illegally extended its monopoly or violated the public policy underlying the copyright law to establish patent misuse. The court noted that "any anticompetitive effects" engendered by the patentee "are outweighed by the beneficial effects" that promote the "important public purposes of the Copyright Act: the compensation of copyright proprietors for the public performances of their works."); *SenzaGel Corp. v. Seiffhart*, 803 F.2d 661, 668 (Fed. Cir. 1986) (involving a patentee whom the court assumed was requiring others to lease a non-patented machine to obtain a license to use a patent. Patentee failed to provide evidence that the machine was covered by the same patent, as alleged, and the court therefore construed the subject machine as unpatented and granted summary judgment against the patentee on the grounds of patent misuse); *Berlenbach v. Anderson and Thompson Ski Co., Inc.*, 329 F.2d 782, 784 (9th Cir.1964), *cert. denied*, 379 U.S. 830 (1964) (the court granted summary judgment on the patent misuse defense on the grounds that the patentee entered into a licensing agreement which also required the exclusive sales of non-patented items with patented items); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 136-137 (1969) (the court granted an injunction finding patent misuse by a patentee who required payment of royalties whether or not a sale or the intended use involved a patented product).

national medical code for use in Medicare and Medicaid reimbursements; and the AMA did not coerce the HCFA to choose one code over others or to accept the AMA's royalty-free license to use the CPT. Brown Decl., ¶¶ 3, 6, 9. As a result, this Court finds that Agreement between the AMA and the HCFA does not constitute copyright misuse and *denies* PMIC's Cross-Motion for Summary Judgment on this ground and *grants* the AMA's Motion for Summary Judgment.

In granting the AMA's Motion for Summary Judgment as to the declaratory judgment claim for relief,[5] this Court does not reach the viability of PMIC's new claims for relief set forth in the First Supplemental Complaint.

IT IS SO ORDERED.

/s/ Dickran Tevrizian
DICKRAN TEVRIZIAN
Judge
United States District Court

Dated: 12-5-94

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[5] The AMA's and PMIC's motions for summary judgment were filed prior to the filing of the First Supplemental Complaint which stated eight new claims for relief.

APPENDIX C

[Filed Dec. 8, 1994]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV 94-3107 DT (GHKx)

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California corporation,
Plaintiff-Counterdefendant,

vs.

AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendants.

ORDER GRANTING DEFENDANT AMERICAN MEDICAL ASSOCIATION'S MOTION FOR PRELIMINARY INJUNCTION.

Background [1]

By Stipulation, plaintiff Practice Management Information Corporation ("PMIC") agreed not to reproduce, publish, distribute or release its own version of the reference work the *Physicians' Current Procedural Terminology* ("CPT") before the AMA's Motion for Partial Summary Judgment is heard on December 5, 1994. *See* Stipulation to Continue Hearing Date re AMA's Motion for Partial Summary Judgment, at pp. 1-2. PMIC previously indicated its intention to publish its own version of

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[1] A detailed factual background is set forth in this Court's Order granting defendant American Medical Association's Motion for Summary Judgment and denying Plaintiff Practice Management Information Corporation's Cross-Motion for Partial Summary Judgment and said background is incorporated herein by this reference.

the CPT with purported changes and corrections before December 31, 1994. Declaration of James B. Davis, ¶¶ 20, 35, filed in support of PMIC's Motion for Preliminary Injunction dated June 26, 1994, ¶¶ 20, 35.

2. *Procedural History.*

PMIC filed its original Complaint on May 12, 1994. PMIC filed a motion for preliminary injunction against the AMA to enjoin the AMA from enforcing any copyrights in the CPT. This motion for preliminary injunction was denied by this Court on July 25, 1994 on the grounds that the CPT was sufficiently original to entitle it to copyright protection. ("July 25 Order"). This Court rejected three of the four arguments presented by PMIC. The only issue left for determination was whether the federal government could destroy a valid copyright for a privately created reference book where the federal government then requires all physicians to use that reference book when participating in a federal program and seeking reimbursements. July 25 Order, at pp. 12-16.

On August 23, 1994, the parties signed a Stipulated Protective Order in which they agreed that certain evidence pertinent to this case may contain confidential or trade secret information and that such evidence or information would be designated as confidential.

On September 22, 1994 by Stipulation with PMIC, the AMA filed its Answer and Second Amended Counterclaim.

On October 21, 1994, the AMA filed a Motion for Partial Summary Judgment seeking a judgment that the federal government's requirement that physicians use the CPT when participating in a federal program does not destroy a valid copyright in a privately created reference work. This motion is now before this Court and is addressed in a separate order.

On November 7, 1994, PMIC filed its Cross-Motion for Summary Judgment of Copyright Invalidity. This

motion is also now before this Court and is addressed in a separate order along with the AMA's Motion for Summary Judgment.

On November 14, 1994, AMA filed the present Motion for Preliminary Injunction to enjoin PMIC from infringing on AMA's copyright in CPT, including the use of any portion of the CPT for sale with the AMA's express written authorization. This motion is presently before this Court.

On November 15, 1994, PMIC filed its First Supplemental Complaint by Stipulation with the AMA. The First Supplemental Complaint, in addition to the original request for declaratory judgment, also seeks monetary damages for statutory and common law unfair competition, intentional interference with contractual relationships, intentional interference with prospective economic advantage, false representation, specific performance, breach of contract and breach of the covenant of good faith and fair dealing. The First Supplemental Complaint does not appear to affect any of the motions presently before this Court.

Discussion

1. *Standard.*

The plaintiff is required to show that he will suffer irreparable injury and that he is likely to prevail on the merits. *Doran v. Salem Inn, Inc.*, 422 U.S. 922, 931 (1975); *Johnson Controls, Inc. v. Phoenix Control Syst., Inc.*, 886 F.2d 1173, 1174 (9th Cir. 1989). The *Johnson Control* court stated that where a party seeks to enforce its copyright, "a showing of a reasonable likelihood of success on the merits raises a presumption of irreparable harm." 886 F.2d at 1174; see also *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1254 (3d cir. 1983), cert. dismissed, 464 U.S. 1033 (1984), where the court found a presumption of irreparable injury when evidence demonstrated a significant amount of time, effort and money were directed to the production of the

copyrighted material. Therefore, the moving party need only show a likelihood of success on the merits and need not also demonstrate the danger of irreparable harm. 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 14.06[A], at pp. 14-85 to 14-86 (1994).

2. *The AMA Is Entitled to A Preliminary Injunction Against PMIC.*

PMIC contends that it will suffer extreme and irreparable harm if this motion is granted.[2] PMIC also contends that the AMA has not suffered any harm, the AMA's harm to the public claim is groundless and the AMA's delay in seeking injunctive relief bars the AMA's request. This Court disagrees.

The AMA is only required to demonstrate a likelihood of success on the merits to prevail on the present motion for preliminary injunction. As this Court has already determined with the AMA's Motion for Partial Summary Judgment, the AMA has a valid and enforceable copyright for the CPT. This Court has also determined in its lengthy order regarding the motion for partial summary judgment that (1) the AMA's copyright is not invalidated by the government's use of the designations set forth in the CPT; (2) the CPT is not a "law", as PMIC has argued at length, and (3) the CPT does not fall within the narrow exception of the Copyright Act for statutes and opinions.

In addition, this Court rejects PMIC's contention that this motion is untimely. The AMA has indicated that it seeks only to enjoin the copying and publication of any works incorporating portions of the 1995 CPT by PMIC. The 1995 CPT was published just two weeks ago. Therefore, this Court finds that this motion is timely.

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[2] PMIC also contends that the injunction sought is overbroad. This argument is now moot given the AMA's clarification that it does not seek to enjoin PMIC publications which do not copy or modify the 1995 CPT.

Finally, this Court has already determined that one source researching and updating the 1995 CPT best advances public policy. Order re the AMA's Motion for Summary Judgment, at p. 14-15, citing the Declaration of Judith Brown, ¶¶ 6-8. Allowing PMIC to modify and publish different versions of the 1995 CPT will greatly increase the AMA's own costs to verify and resolve conflicts in the PMIC's versions with the AMA's versions of the 1995 CPT to maintain the integrity of the 1995 CPT and its own reputation. Further, multiple modified versions of the 1995 CPT with different codes could confuse physicians and the government who rely on the accuracy and uniformity of the 1995 CPT and could substantially impair the reimbursement process. This Court rejects PMIC's suggestion that limited monetary damages in the realm of licensing fees will adequately compensate the AMA. This Court recognizes the enormous resources that are devoted to the research and development of private resource works like the CPT and the statutory damages to which a copyright holder is entitled. This Court also recognizes that multiple modified versions of the 1995 CPT could cause damage to the AMA's and the CPT's reputation.

Based upon this Court's findings, the AMA is entitled to a preliminary injunction against PMIC enjoining PMIC from reproducing the 1995 CPT or from publishing, distributing, releasing, modifying or conducting any other activity which infringes the AMA's copyright in the 1995 CPT. Therefore, this Court *grants* the AMA's Motion for Preliminary Injunction. This Order does not affect any other PMIC publications.

3. *The AMA Is Required To Post A Reasonable Bond.*

Rule 65(c) of the Federal Rules of Civil Procedure provides that this Court may prescribe a proper bond that will compensate a party who is wrongfully enjoined as a prerequisite for an injunction. PMIC has requested the

AMA be required to post a bond in the amount of $1,750,000. This Court finds this amount is excessive and unwarranted. A review of PMIC's figure demonstrates that $750,000 of that amount represents the sale of books which are not covered by the injunction requested herein. In addition, this Court cannot make a determination of the propriety of the remaining amount of this figure because PMIC has presented incompetent hearsay and conclusory evidence as the basis for this figure. This Court finds a reasonable *bond* in the amount of *$100,000* is justified and orders the AMA to post a bond in that amount *on or before 12:00 P.M., Friday, December 9, 1994*.

IT IS SO ORDERED.

/s/ Dickran Tevrizian
DICKRAN TEVRIZIAN,
Judge
United States District Court

Dated: Dec. 5, 1994

APPENDIX D

[Filed Dec. 23, 1997]

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 94-56774
D.C. No. CV-94-03107-DT

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California Corporation,
Plaintiff-Appellant,

v.

THE AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendant-Appellee.

ORDER

Before: BROWNING and REINHARDT, Circuit Judges

The panel has voted to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for an en banc rehearing, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

APPENDIX E

RELEVANT CONSTITUTIONAL AND STATUTORY PROVISIONS

U.S. Const. amend. I

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people to peaceably assemble, and to petition the Government for a redress of grievances.

42 U.S.C. § 1395w-4(c)(5)

(5) Coding

The Secretary shall establish a uniform procedure coding system for the coding of all physicians' services. The Secretary shall provide for an appropriate coding structure for visits and consultations. The Secretary may incorporate the use of time in the coding for visits and consultations. The Secretary, in establishing such coding system, shall consult with the Physician Payment Review Commission and other organizations representing physicians.

35 U.S.C. § 271(d)

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

17 U.S.C. § 107

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 301

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether

created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978;

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106; or

(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under section 102(a)(8).

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2047. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2047. Notwithstanding the provisions of section 303, no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2047.

(d) Nothing in this title annuls or limits any rights or remedies under any other Federal statute.

(e) The scope of Federal preemption under this section is not affected by the adherence of the United States to the Berne Convention or the satisfaction of obligations of the United States thereunder.

(f)(1) On or after the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990, all legal or equitable rights that are equivalent to any of the rights conferred by section 106A with respect to works of visual art to which the rights conferred by section 106A apply are governed exclusively by section 106A and section 113(d) and the provisions of this title relating to such sections. Thereafter, no person is entitled to any such right or equivalent right in any work of visual art under the common law or statutes of any State.

(2) Nothing in paragraph (1) annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(A) any cause of action from undertakings commenced before the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990;

(B) activities violating legal or equitable rights that are not equivalent to any of the rights conferred by section 106A with respect to works of visual art; or

(C) activities violating legal or equitable rights which extend beyond the life of the author.

Supreme Court, U.S.
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No. 97-1567

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

AMERICAN MEDICAL ASSOCIATION,
Petitioner,

vs.

PRACTICE MANAGEMENT INFORMATION CORPORATION,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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35 pp

QUESTIONS PRESENTED

The Petition of the American Medical Association (AMA) inaccurately states the questions before this Court. For the reasons set forth in this Opposition, the questions properly before this Court are as follows:

1. May the AMA challenge the power of the federal courts to invoke principles of equity in statutory actions even though the AMA did not present any such challenge in the court of appeals or in the district court?

2. Do the federal courts have the power to invoke equitable defenses, such as copyright misuse or unclean hands, to defeat statutory causes of action?

3. Should this Court grant certiorari to reconsider its decisions holding that the misuse defense is not commensurate in scope with antitrust liability?

4. Does the *Noerr-Pennington* defense permit copyright owners to misuse their copyrights in agreements with the government and then sue third parties for copyright infringement?

LIST OF PARTIES TO THE PROCEEDINGS PURSUANT TO RULE 29.6

Pursuant to Supreme Court Rule 29.6, Respondent certifies that it has no parents, subsidiaries, or affiliates.

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INTRODUCTION

The Petition of the American Medical Association (AMA) arises from the same judgment of the Court of Appeals for the Ninth Circuit as the Petition filed by Practice Management Information Corporation (PMIC) in Case No. 97-1254. The AMA's Petition stands in stark contrast to PMIC's Petition.

PMIC's Petition raises the central issue litigated by the parties and decided by the courts below: Whether private authors may use the copyright laws to prevent others, including the government, from publishing the laws and regulations they have written. This issue was briefed and argued extensively by the parties in the courts below. Both the court of appeals and the district court addressed this issue at length in their opinions, with the court of appeals expressly observing that this Court has yet to address the issue. *See* Pet. at 7a.

In contrast, the AMA's Petition raises issues which were addressed only peripherally, if at all, in the courts below. For example, the AMA never even argued below that the federal courts lack the power to invoke equitable defenses to statutory causes of action. Yet, the AMA offers this as its first question presented. Similarly, the court of appeals devoted only two sentences of its opinion to the AMA's second question presented – whether the defense of copyright misuse arises only when the copyright owner violates the antitrust laws. And the court of appeals did not even address the AMA's third question presented – the existence of a commercial exception to the *Noerr-Pennington* doctrine.

The disparity between the parties' Petitions is further illustrated by the views of the *amici curiae* in this case. Seven *amici curiae* presented their views to the court of appeals on the issue raised by PMIC's Petition, indicating

the clear importance of this issue and its centrality to this case. None of the seven *amici curiae* addressed any of the issues now raised by the AMA.

Finally, PMIC's Petition raises a clear split in the circuits over the public's right to publish privately written laws, a circuit split which the parties argued extensively to the court of appeals. In contrast, the AMA's Petition raises no circuit split, nor did the parties even argue over the AMA's purported circuit splits in the courts below. Indeed, the AMA appears to concede in this Court that there is no circuit split over the existence of the defense of copyright misuse. *See* Pet. at 17. Moreover, the purported splits identified by the AMA in its remaining two questions are illusory and not even implicated by this case.

For these reasons, this Court should deny the AMA's Petition. The only Petition this Court should entertain in this case is that of PMIC.

I
THE AMA'S CONSTITUTIONAL ATTACK ON THE COPYRIGHT MISUSE DEFENSE WAS NEVER PRESENTED BELOW

In its first question presented, the AMA challenges the very existence of the equitable defense of copyright misuse. *See* Pet. at i, 2, 9-18. According to the AMA, recognition of this equitable defense amounts to "judicial lawmaking," *id.* at 2, and violates "the separation of powers," *id.* at 9. In support, the AMA cites this Court's decisions in *Atherton v. FDIC*, 117 S. Ct. 666 (1997), *O'Melveny & Myers v. FDIC*, 512 U.S. 79 (1994), *Northwest Airlines, Inc. v. Transport Workers Union*, 451 U.S. 77 (1981), *Texas Indus., Inc. v. Radcliff Materials, Inc.*, 451 U.S. 630 (1981), and *City of Milwaukee v. Illinois*, 451 U.S. 304 (1981), as controlling precedent. Pet. at 9.

This argument is not properly before this Court because the AMA never raised it below. The AMA never even mentioned the phrase "separation of powers" in the Ninth Circuit or the district court. Nor did the AMA discuss the propriety of the creation of federal common law. The AMA did not cite this Court's decisions in *Atherton*, *O'Melveny & Myers*, *Northwest Airlines*, *Texas Industries*, or *City of Milwaukee*, to either the Ninth Circuit or the district court. Indeed, in the courts below, the AMA never cited a single separation-of-powers or federal common-law precedent.

Thus, the AMA deprived both lower courts of the opportunity to pass upon either its separation-of-powers argument or the applicability of what the AMA now calls "a long line of precedents of this Court." Pet. at 10. The AMA has therefore waived this argument and should not be permitted to present it now for the first time. *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 362 (1981); *Husty v. United States*, 282 U.S. 694, 701-02 (1931).

II
THE AMA'S ATTACK ON COPYRIGHT MISUSE IS CONTRARY TO BASIC PRINCIPLES OF EQUITY JURISPRUDENCE

A. The AMA's Attack On Copyright Misuse Is A Challenge To Basic Principles Of Equity And Centuries Of Precedent

The AMA argues that the separation of powers generally prohibits federal courts from applying non-statutory defenses in cases involving statutory causes of action. Pet. at 10-11. Even if this argument were properly before this Court, it would be entirely meritless.

The AMA's assertion defies centuries of legal history and precedent. Since the founding of this country, the federal courts have routinely applied equitable defenses such

as laches, estoppel, and unclean hands to defeat statutory causes of action, and indeed, any cause of action. *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 200-01 (1893) (laches); *Union Mutual Life Ins. Co. of Maine v. Wilkinson*, 80 U.S. (13 Wall.) 222, 233 (1872) (estoppel); *Creath's Administrator v. Sims*, 46 U.S. (5 How.) 192, 204 (1847) (unclean hands).

The defense of unclean hands is especially relevant here. Copyright misuse is merely a species of this venerable equitable defense. *qad, inc. v. ALN Assocs.*, 974 F.2d 834, 836 (7th Cir. 1992); *Supermarket of Homes, Inc. v. San Fernando Valley Board of Realtors*, 786 F.2d 1400, 1408 (9th Cir. 1986). As this Court explained in connection with the closely related patent-misuse defense, patent misuse "is an extension of the equitable doctrine of 'unclean hands' to the patent field." *United States Gypsum Co. v. National Gypsum Co.*, 352 U.S. 457, 465 (1957); *accord Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 193 (1980); *B. Braun Medical, Inc. v. Abbot Laboratories*, 124 F.3d 1419, 1427 (Fed. Cir. 1997); *United Telephone Co. of Missouri v. Johnson Publ'g Co.*, 855 F.2d 604, 610 (8th Cir. 1988) (Re, C.J., sitting by designation).

Moreover, the power of the federal courts to apply non-statutory equitable defenses is beyond question. This Court has repeatedly held that the federal courts possess all the powers of equity, unless Congress expressly revokes them by statute. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 & 320 (1982); *Mitchell v. Robert De Mario Jewelry, Inc.*, 361 U.S. 288, 291 (1960); *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946); *see also Renegotiation Board v. Bannercraft Clothing Co.*, 415 U.S. 1, 19 (1974) ("Congress knows how to deprive a court of broad equitable power when it chooses so to do."). Indeed, equitable principles, especially the defense of unclean hands, are so fundamental that they are commonly invoked *sua sponte* to protect the integrity of the courts and the public

welfare. *See Maltz v. Sax*, 134 F.2d 2, 5 (7th Cir. 1943); 30A CORPUS JURIS SECUNDUM *Equity* § 110 (1992) (collecting cases). By urging this Court to renounce the historical power of the federal courts to invoke equitable defenses, the AMA is seeking a sweeping and unparalleled departure from precedent.

In addition, the AMA's position manifests a deep misunderstanding of the merger of law and equity. Beginning with the enactment of 38 Stat. 956 in 1915, Congress expressly permitted defendants to interpose equitable defenses in all actions at law. Congress continued this practice in 1937 with the adoption of the Federal Rules of Civil Procedure and the complete merger of law and equity. *See A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1031 (Fed. Cir. 1992) (in banc); EDWARD D. RE & JOSEPH R. RE, CASES AND MATERIALS ON REMEDIES 36-37 (4th ed. 1996); *see also* Fed. R. Civ. P. 1, 2, 8(e)(2) (effectuating the merger of law and equity). Thus, contrary to the AMA's separation-of-powers argument, Congress has repeatedly recognized the power of the federal courts to invoke equitable defenses to bar legal or statutory causes of action. Indeed, the federal courts have long recognized that the maxims of equity survived the merger of law and equity and remain valid defenses in actions at law. *See, e.g., Maltz*, 134 F.2d at 5.

Furthermore, adoption of the AMA's argument would require this Court to overturn its most directly relevant precedents – those relating to patent misuse. This Court has developed an extensive jurisprudence of patent misuse. *See Dawson*, 448 U.S. at 179; *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 133-41 (1969); *United States Gypsum*, 352 U.S. at 465; *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 664-68 (1944); *B.B. Chemical Co. v. Ellis*, 314 U.S. 495, 497-98 (1942); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 491-94 (1942). In more recent years, the Court of Appeals for the Federal Circuit,

with exclusive jurisdiction over patent appeals,[1] has continued to apply this defense. *See, e.g., Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 667-69 (Fed. Cir. 1986) (Markey, C.J.).

The AMA all but concedes that it is urging this Court to overrule all of these precedents. Pet. at 9. Plainly, this Court should view with deep skepticism and concern any argument which requires overruling centuries of equity jurisprudence and more than 50 years of this Court's patent-misuse precedents. *Stare decisis* is reason enough to reject the AMA's argument. *See, e.g., Walker v. Armco Steel Corp.*, 446 U.S. 740, 749 (1980). As this Court recently explained in rejecting an invitation to overturn a long line of patent decisions, "the lengthy history" of a legal doctrine "strongly supports adherence" to it. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040, 1048 (1997).

B. Contrary To The AMA's Argument, This Court's Recent Precedents Do Not Bar The Federal Courts From Applying Principles Of Equity

To support its sweeping challenge to judicial power, the AMA argues that this Court's patent-misuse cases, and presumably all cases invoking non-statutory equitable defenses, are inconsistent with a recent line of cases including *Atherton*, *O'Melveny & Myers*, *Northwest Airlines*, *Texas Industries*, and *City of Milwaukee*. Pet. at 9. The AMA completely misunderstands these cases.

The decisions in *Atherton* and *O'Melveny & Myers* involved issues of ***federalism***, not ***separation of powers***. The issue in both cases was whether federal common law would displace ***state law***, not whether a federal court would improperly invade Congress' sphere by invoking an

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[1] 28 U.S.C. § 1295(a)(1).

equitable defense. For example, *Atherton* addressed whether the officers of a federally chartered bank are governed by a federal or state negligence standard. *Atherton*, 117 S.Ct. at 669. Similarly, *O'Melveny & Myers* addressed whether the attorneys who represent a federally insured bank are governed by a federal or state standard of care. *O'Melveny & Myers*, 512 U.S. at 80-81.

In both cases, this Court resolved the questions presented by invoking basic principles of federalism. Relying upon this Court's seminal decision in *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938), this Court held that "there is no federal general common law." *Atherton*, 117 S. Ct. at 670; *O'Melveny & Myers*, 512 U.S. at 83. This Court then explained that it would displace state law with federal common law only where state law conflicts with federal policy. *Atherton*, 117 S. Ct. at 670; *O'Melveny & Myers*, 512 U.S. at 87. Because no such conflict existed, this Court applied existing state common law rather than creating a special federal common law. *Atherton*, 117 S. Ct. at 670-74; *O'Melveny & Myers*, 512 U.S. at 87-89.

These principles of federalism are obviously irrelevant here. Copyright law, unlike the negligence standards at issue in *Atherton* and *O'Melveny & Myers*, is exclusively a federal matter. Congress has already displaced state law in this field. 17 U.S.C. § 301(a); *see also* 28 U.S.C. § 1338(a). The federal courts, by applying federal copyright law and equitable defenses thereto, plainly are not displacing state law.

This Court's decisions in *Northwest Airlines* and *Texas Industries* are equally inapplicable. In these cases, the plaintiffs asked this Court to create a cause of action for contribution among joint tortfeasors who allegedly had violated the federal civil rights laws, *Northwest Airlines*, 451 U.S. at 79-80, and the federal antitrust laws, *Texas Industries*, 451 U.S. at 632. A cause of action for

contribution did not exist at common law, *Northwest Airlines*, 451 U.S. at 86; *Texas Industries*, 451 U.S. at 634, and had not been created by Congress in the civil rights or antitrust statutes, *Northwest Airlines*, 451 U.S. at 91; *Texas Industries*, 451 U.S. at 639.

Citing a long line of decisions, including this Court's landmark decision in *Cort v. Ash*, 422 U.S. 66 (1975), this Court held that it is ordinarily inappropriate for the courts to create a new cause of action when none has been created by Congress. *Northwest Airlines*, 451 U.S. at 90-95; *Texas Industries*, 451 U.S. at 639-40. Once again, this Court did not in any way suggest it was sweeping aside any existing equitable defenses. To the contrary, as discussed above, this Court has repeatedly emphasized that the federal courts retain all of their equitable powers unless those powers are expressly revoked by Congress. *Weinberger*, 456 U.S. at 313 & 320; *Mitchell*, 361 U.S. at 291; *Porter*, 328 U.S. at 398.

Finally, *City of Milwaukee* is also irrelevant to the present case. The question in *City of Milwaukee* was whether the federal common law of nuisance governing pollution in navigable waterways survived the enactment of the Water Pollution Control Act Amendments of 1972. *City of Milwaukee*, 451 U.S. at 307-12. This statute established "a new system of regulation under which it is illegal for anyone to discharge pollutants into the Nation's waters except pursuant to a permit." *Id.* at 310-11. This Court held that the federal common law did not survive because Congress' "establishment of a comprehensive regulatory program" supplanted the common law. *Id.* at 317.

Once again, this case is entirely inapplicable. Congress has not chosen to supplant traditional equitable defenses such as unclean hands, either in general or as applied

specifically to copyright law.[2] If Congress chooses to do so, then, of course, the language of the statute would control, not the pre-existing common law. *City of Milwaukee* says nothing more. Certainly, it does not suggest that federal courts can no longer invoke equitable defenses.

C. The Courts Have *Unanimously* Recognized The Equitable Defense of Copyright Misuse

As a secondary reason for granting certiorari, the AMA asserts that "uncertainty persists" in the lower courts as to the viability of the copyright misuse defense. Pet. at 17. Nothing could be further from the truth.

The circuit courts are unanimous in their recognition of this equitable defense. As the AMA concedes, *see* Pet. at 17, the Fourth, Fifth, and Ninth Circuits have each recognized this equitable defense. *See* Pet. at 9a; *DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601 (5th Cir. 1996); *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 977-79 (4th Cir. 1990). There are no circuit court decisions to the contrary, and the AMA does not even

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[2] In the patent law, as the AMA has noted, Congress has chosen to place statutory limits on the equitable misuse defense. *See* 35 U.S.C. § 271(d). As yet, Congress has not chosen to limit this defense in the area of copyright law.

The AMA sees this as an indication that Congress is satisfied with patent misuse decisions, but disapproves of copyright misuse decisions. *See* Pet. at 15 & n.8. If anything, the contrary is true. Congress codified patent misuse because it believed that some judicial decisions extended this equitable doctrine too far. 134 CONG. REC. S17146, S17146-49 (Oct. 21, 1988); 134 CONG. REC. H10646, H10647-49 (Oct. 20, 1988). In contrast, Congress has not yet expressed any concern over the courts' copyright misuse decisions.

argue otherwise. Thus, there is no circuit split, making this case inappropriate for review by this Court.

Even the district courts are in agreement. The AMA cites only two district court decisions which rejected the copyright misuse defense. *See* Pet. at 17 n.10 (citing *Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 663 F. Supp. 214, 220 (D. Kan 1987), *aff'd mem.*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 499 U.S. 340 (1991), and *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979)). However, both of these district courts have since been persuaded by the Fourth Circuit's decision in *Lasercomb* and now recognize the defense of copyright misuse. *See In re Independent Serv. Orgs. Antitrust Litig.*, 964 F. Supp. 1469, 1476-77 (D. Kan.), *reconsidered on other grounds*, 989 F. Supp. 1131 (D. Kan. 1997); *Coleman v. ESPN, Inc.*, 764 F. Supp. 290, 295 & n.12 (S.D.N.Y. 1991). The other district courts that have addressed the issue are in accord. *See, e.g., National Cable Television Ass'n v. Broadcast Music, Inc.*, 772 F. Supp. 614, 652 (D.D.C. 1991); *qad, inc. v. ALN Assocs., Inc.*, 770 F. Supp. 1261, 1267 (N.D. Ill. 1991), *aff'd*, 974 F.2d 834 (7th Cir. 1992); *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843, 850 (D. Minn. 1948), *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949). Thus, the uncertainty imagined by the AMA is wholly illusory.

III
THE AMA'S ATTEMPT TO LIMIT THE MISUSE DEFENSE TO ANTITRUST VIOLATIONS IS CONTRARY TO THIS COURT'S PRECEDENTS, AND IS NOT THE SUBJECT OF A CIRCUIT SPLIT

The AMA asserts that the equitable defense of copyright misuse should be judged by the heightened legal standard governing affirmative liability under the antitrust laws. Pet. at 18-21. This assertion is meritless for several reasons.

First, the AMA's argument wrongly assumes that the misuse defense is an outgrowth of the antitrust laws. It is not. As discussed above, it is a species of the equitable defense of unclean hands. It would be entirely arbitrary to equate the scope of a defense in equity with the scope of liability under a distinct statute. Equitable defenses are judged by the traditional principles of equity, not by any statutory standard of liability. *Rondeau v. Mosinee Paper Corp.*, 422 U.S. 49, 60-62 (1975); *Atlas Life Ins. Co. v. W.I. Southern, Inc.*, 306 U.S. 563, 568 (1939).

Second, because of the equitable origins of misuse, this Court has expressly held on at least two occasions that patent misuse is not limited by the antitrust statutes. *Zenith*, 395 U.S. at 140; *Morton Salt*, 314 U.S. at 494. As Chief Justice Stone explained for a unanimous Court in *Morton Salt*:

> The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when [the patent owner] is using it as the effective means of restraining competition with its sale of an unpatented article.

Morton Salt, 314 U.S. at 490. In finding the patent owner guilty of misuse, the Court then reaffirmed that it was not applying an antitrust standard.

> It is unnecessary to decide whether [the patent owner] has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to

> public policy and that the district court rightly dismissed the complaint for want of equity.

Id. at 494. Following this Court's lead, the Court of Appeals for the Federal Circuit has similarly refused to limit patent misuse to statutory antitrust violations. *Senza-Gel*, 803 F.2d 668. The AMA's Petition completely ignores these controlling precedents.

Third, as the AMA appears to concede, *see* Pet. at 19-21, every circuit court which has recognized the defense of copyright misuse has concluded that this defense is not commensurate in scope with antitrust liability. *See* Pet. at 11a (applying an equitable standard and expressly rejecting an antitrust standard); *DSC*, 81 F.3d at 601-02 (applying an equitable standard without mentioning the antitrust laws); *Lasercomb*, 911 F.2d at 978 (applying an equitable standard and expressly rejecting an antitrust standard). Thus, no true circuit conflict can possibly exist.

The AMA nevertheless asserts that a conflict exists between the circuits which have recognized the defense of misuse and those which have not yet squarely addressed the issue. According to the AMA, these latter courts have held that, if ever they were to adopt the defense of copyright misuse, they would limit its scope to antitrust violations. Pet. at 18-19.

This purported conflict is obviously hypothetical at best. If and when a circuit court recognizes the defense of misuse and adopts a standard which differs from the standard uniformly applied by the Fourth, Fifth, and Ninth Circuits in the copyright context, and by this Court in the patent context, then a conflict would exist. Until then, no circuit split exists warranting this Court's attention.

Moreover, even the hypothetical conflict identified by the AMA is based upon a misreading of the cases. The

AMA asserts that the Seventh, Eighth, Tenth, and Eleventh Circuits have each indicated they would limit the defense of copyright misuse to antitrust violations. However, this is simply not the case.

In the Seventh Circuit case, *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191 (7th Cir. 1987), the court was not faced with the broad issue of whether copyright misuse must be judged by an antitrust standard. Rather, the issue before the court was whether an agreement not to contest the validity of a copyright could rise to the level of misuse. *Id.* at 1199.

The Seventh Circuit had already held, at least twice, that a no-contest clause does not constitute patent misuse. *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149, 158 (7th Cir. 1972); *Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 468 F.2d 225, 232 (7th Cir. 1972) (Stevens, J.). The Federal Circuit had recently reaffirmed this conclusion in *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001-02 (Fed. Cir. 1986) (Markey, C.J.). In *Saturday Evening Post*, the Seventh Circuit, per Judge Posner, merely adhered to this settled rule, stating:

> We hold that a no-contest clause in a copyright licensing agreement is valid unless shown to violate antitrust law.

Saturday Evening Post, 816 F.2d at 1200.

Judge Posner also explained at length his view that allegations of patent misuse and copyright misuse alike should be measured by an antitrust standard. *Id.* In particular, in a passage quoted by the AMA, Judge Posner wondered:

> If misuse claims [sic, defenses] are not tested by antitrust principles, by what principles shall they be tested?

Id.[3]

However, as Judge Posner conceded for the Seventh Circuit in his earlier opinion in *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 511 (7th Cir. 1982), this Court has already recognized that misuse and antitrust are not coextensive. Accordingly, Judge Posner recognized that he was obliged to apply a misuse standard not based on the antitrust laws, at least within the "conventional, rather stereotyped boundaries" expressly addressed in this Court's precedents. *Id.* In view of this recognition that misuse is not limited to the antitrust laws, the Seventh Circuit is unlikely to adopt the broad holding attributed to it by the AMA.[4]

The AMA is also incorrect when it asserts that the Eighth Circuit has limited the copyright misuse defense to antitrust violations. In *United Telephone*, 855 F.2d at 611,

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[3] The answer to Judge Posner's question is, of course, that misuse is judged by whether the patent (or copyright) owner has taken any action to "broaden the physical or temporal scope of the patent [or copyright] monopoly." *Blonder-Tongue Labs., Inc. v. University of Illinois Foundation*, 402 U.S. 313, 343 (1971).

[4] It is ironic that the AMA relies so heavily upon the Seventh Circuit's decisions in urging this Court to limit patent and copyright misuse to violations of the antitrust statutes. In its seminal decision in *Morton Salt*, this Court reversed the Seventh Circuit for attempting to engraft a statutory antitrust standard onto the equitable defense of misuse. *Morton Salt*, 314 U.S. at 490, *rev'g, G.S. Suppiger Co. v. Morton Salt Co.*, 117 F.2d 968 (7th Cir. 1941).

on which the AMA relies, Chief Judge Re merely explained that the court:

> found several cases in which courts have noted that the misuse of a copyright, in violation of the antitrust laws, may bar a plaintiff from recovering damages for copyright infringement.

The Eighth Circuit, however, never suggested that copyright misuse was limited to antitrust violations. The court was merely describing the factual patterns of the precedents it found.

Finally, in the Tenth and Eleventh Circuit cases, the defendants argued only that the plaintiffs' alleged antitrust violations should bar the plaintiffs from enforcing their copyright. *Bellsouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc.*, 933 F.2d 952, 960-61 (11th Cir. 1991), *rev'd*, 999 F.2d 1436 (11th Cir. 1993) (in banc); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290 (10th Cir. 1974). Both courts rejected these arguments on their facts, finding that no antitrust violations had occurred. *Bellsouth*, 933 F.2d at 960-61; *Edward B. Marks*, 497 F.2d at 290. Neither court addressed whether a form of unclean hands other than an antitrust violation would bar enforcement of a copyright. The issue simply was not presented.[5]

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[5] In addition, the Eleventh Circuit panel's *Bellsouth* decision is of dubious precedential value. The Eleventh Circuit, sitting *in banc*, reversed the panel's decision, finding the copyright at issue to be invalid on other grounds. *Bellsouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc.*, 999 F.2d 1436 (11th Cir. 1993) (in banc). Thus, the panel's entire discussion of copyright misuse was irrelevant to the outcome of the case.

IV
BECAUSE NO COURT HAS EVER EXCUSED ANY ACT OF MISUSE UNDER THE *NOERR-PENNINGTON* DOCTRINE, NO CIRCUIT SPLIT IS PRESENTED HERE

As its final argument, the AMA asks this Court to grant certiorari to address the existence and scope of a "commercial exception" to the *Noerr-Pennington* doctrine. *See* Pet. at 24-28. This Court should reject the AMA's invitation for several reasons.

A. The *Noerr-Pennington* Issue Was Not Well-Developed Below By The Courts Or The Parties

The issue the AMA now asks this Court to address was not well-developed below. The district court's opinion does not even mention the *Noerr-Pennington* doctrine, let alone a commercial exception to the *Noerr-Pennington* doctrine. *See* Pet. at 12a-27a. The Ninth Circuit addressed the *Noerr-Pennington* doctrine in just two sentences, stating:

> We also reject the AMA's argument that the *Noerr-Pennington* doctrine immunized its actions. Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake.

Pet. at 11a. Like the district court, the Ninth Circuit did not even mention any commercial exception to the *Noerr-Pennington* doctrine.

Similarly, the parties did not address the issue adequately below. The AMA devoted only two paragraphs of its 35-page brief in the Ninth Circuit to the *Noerr-Pennington* doctrine, and never mentioned any commercial exception to the doctrine. *See* AMA Ninth Cir. Br. at 31-32. PMIC addressed the *Noerr-Pennington* doctrine in only

a single paragraph of its reply brief, and likewise never mentioned a commercial exception. *See* PMIC Ninth Cir. Reply Br. at 15. Even on rehearing, the AMA mentioned a commercial exception to the *Noerr-Pennington* doctrine in only a single sentence. *See* AMA Pet. for Reh'g at 13. The AMA cited none of the cases which it now asserts create a circuit conflict.

Thus, this Court lacks the benefit of the careful consideration by the court of appeals, the district court, and the parties. Indeed, it is not even clear that the court of appeals reached the issue now pressed by the AMA. Accordingly, this would be an inappropriate case in which to address the subtleties of the *Noerr-Pennington* doctrine and a possible commercial exception to the doctrine.

B. The *Noerr-Pennington* Immunity Is Not At Issue Here Because The AMA Has Not Been Found Liable For Anything

This would be a wholly inappropriate case to address the commercial exception to the *Noerr-Pennington* immunity for still another reason. The *Noerr-Pennington* immunity, and the alleged circuit split asserted by the AMA, are not implicated in this case.

The cases cited by the AMA, and every *Noerr-Pennington* case PMIC has found, each involved an attempt to hold a party ***liable in damages*** for activities which arguably involved petitioning the government. *See Greenwood Utils. Comm'n v. Mississippi Power Co.*, 751 F.2d 1484 (5th Cir. 1985); *Hecht v. Pro-Football, Inc.*, 444 F.2d 931, 932 (D.C. Cir. 1971); *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25, 27 (1st Cir. 1970). In each of these cases, the court addressed whether the *Noerr-Pennington* doctrine immunized the party from liability. These cases are all consistent with this Court's decisions, treating the *Noerr-Pennington* doctrine as merely

an immunity from liability, usually antitrust liability. *See Professional Real Estate Investors, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 56 (1993).

Here, in contrast, PMIC did not seek to hold the AMA liable for petitioning the government, or for anything else. PMIC did not seek damages or any other affirmative relief. Instead, PMIC merely asserted an equitable defense against the AMA's enforcement of its copyright. PMIC has not been and cannot be awarded any damages for its successful assertion of its misuse defense. *B. Braun*, 124 F.3d at 1427-28.

None of the cases cited by the AMA hold that the *Noerr-Pennington* immunity may be used as a sword to preclude the assertion of a defense. The AMA's attempted use of the *Noerr-Pennington* immunity as a "defense to a defense" is unique to the AMA. For this reason, the alleged split over the scope of the *Noerr-Pennington* immunity identified by the AMA, even if real, has no application to this case.

C. The *Noerr-Pennington* Immunity Is Not At Issue Because The AMA's Misuse Of Its Copyright Implicates No First Amendment Interest

The alleged circuit split over a commercial exception to *Noerr-Pennington* is not implicated by the present case for still another reason. The AMA's misuse of its copyright simply does not implicate the First Amendment interests protected by the *Noerr-Pennington* immunity.

The First Amendment and *Noerr-Pennington* protect and promote efforts to persuade government officials to engage in "lawful state action." *City of Columbia v. Omni Outdoor Advert., Inc.*, 499 U.S. 365, 379 (1991). For example, in *Noerr* itself, this Court reasoned that the government has the authority under the state action doctrine of *Parker v. Brown*,

317 U.S. 341, 350 (1943), to pass laws in restraint of trade. *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 136-37 & n.17 (1961). Accordingly, members of the public have the right to petition the government to enact restraints of trade. *Id. See also Sessions Tank Liners, Inc. v. Joor Mfg., Inc.*, 17 F.3d 295, 298 (9th Cir. 1994) (discussing the relationship between the state action doctrine of *Parker v. Brown* and the antitrust petitioning immunity of *Noerr*).

In contrast, attempts to convince government officials to participate in or tolerate violations of the law are not protected. *See, e.g. In re IBP Confidential Bus. Documents Litig.*, 755 F.2d 1300, 1313 (8th Cir. 1985); *George R. Whitten*, 424 F.2d at 33-34. For example, an effort to obtain a government contract in violation of competitive bidding statutes is not protected by *Noerr-Pennington*. *George R. Whitten*, 424 F.2d at 33-34. Similarly, it cannot seriously be contended that there is a constitutional right to enter into a contract with the government which does not pay the prevailing wage, in violation of 40 U.S.C. § 276a. Nor is there a constitutional right to enter into a contract with the government in violation of public policy. *Town of Newton v. Rumery*, 480 U.S. 386, 392 (1987); *Davies v. Grossmont Union High Sch. Dist.*, 930 F.2d 1390, 1396 (9th Cir. 1991). Under these circumstances, the petitioner is not seeking a change in the law, but a violation of the law.

Here, the AMA asserts a right to enter into a contract with the government in violation of the law of copyright misuse. No such right exists under *Noerr-Pennington* or any other theory. *Noerr-Pennington* permits the AMA to lobby Congress to repeal the copyright misuse defense; but it does not permit the AMA to engage in copyright misuse. For this reason as well, the alleged circuit split over a commercial exception to the *Noerr-Pennington* immunity is

not implicated in this case. Regardless of the scope of *Noerr-Pennington* in the commercial context, the AMA's conduct is not protected.

D. The Circuit Courts Uniformly Hold That Commercial Conduct May Be Immune From Liability Under *Noerr-Pennington*, Depending Upon Its Nature And Character

Finally, the AMA's assertion of a circuit conflict is once again based upon a misreading of the cases. No court has ever recognized a general commercial exception to the *Noerr-Pennington* doctrine. Conversely, no court has ever held that all commercial activity involving the government is immune from liability under *Noerr-Pennington*. Instead, the cases throughout the circuits hold that commercial conduct with the government ***may*** be immune from liability under *Noerr-Pennington* depending upon the specific facts of the case.

For example, in *George R. Whitten*, the First Circuit did not hold that all commercial activity falls outside of the *Noerr-Pennington* immunity, as the AMA asserts. Rather, the court saw the issue before it more narrowly, as whether government contractors could use the protection of *Noerr-Pennington* to sidestep the requirements of competitive bidding statutes. *George R. Whitten*, 424 F.2d at 33. The court concluded that *Noerr-Pennington* does not extend this far, holding:

> the First Amendment does not prevent government from adopting reasonable rules for regulating the conduct of those who seek its favor.

Id. at 33-34 (citing *United States v. Harriss*, 347 U.S. 612, 625-26 (1954)).

Similarly, in *Hecht*, the District of Columbia Circuit did not not create a commercial exception to *Noerr-Pennington*. Rather, the court endorsed the First Circuit's reasoning in *George R. Whitten*. *Hecht*, 444 F.2d at 941. In addition, the court concluded that Congress intended the activities of the specific government agency at issue to be regulated by the antitrust laws. *Id.* at 942-47.

The AMA also misconstrues the Fifth Circuit's decision in *Greenwood*. Contrary to the AMA's assertion, the Fifth Circuit did not hold that *Noerr-Pennington* immunizes all commercial activities with the government. Rather, like the First and District of Columbia Circuits, the Fifth Circuit recognized that some commercial activities are protected and some are not. Thus, the Fifth Circuit held that an exclusive utility contract was protected under *Noerr-Pennington*, *see Greenwood*, 751 F.2d at 1497, but that other commercial activities would not be entitled to immunity. For example, proposing a fact pattern quite similar to the present case, the Fifth Circuit explained:

> If a monopolist uses his market power to dictate the terms of trade to the government, for example, no legitimate petitioning conduct would be involved, and there would be no *Noerr-Pennington* protection.

Id. at 1505.

Thus, the circuit split asserted by the AMA does not exist. To the contrary, the circuit courts have merely acted consistently with this Court's observation that "the applicability of *Noerr* immunity[] varies with the context and nature of the activity." *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 499 (1988). The AMA's alleged circuit split is simply the product of its overgeneralization of the holdings of the cases it cites.

CONCLUSION

The only issues worthy of this Court's attention in this case were presented in PMIC's Petition in Case No. 97-1254. The AMA's Petition presents issues which were not the subject of thorough litigation below, some of which were not even properly preserved for this Court's review. Moreover, unlike the issues presented in PMIC's Petition, the issues in the AMA's Petition are not the subject of significant debate or contention in the courts below and are not directly implicated by this case. Accordingly, the AMA's Petition should be denied.

Respectfully submitted,

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